Member Audit Bureau of Circulations

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WITH THE EDITORS

Interesting If True

THE other day, young Senator La Follette sent cold chills up and down the backs of his radical friends by announcing in the Senate that the overgrown size of brokers' loans was proof that the farmers and ordinary business men were unable to obtain credit on reasonable terms. Wall Street merely shrugged its shoulders after receiving this blast. And in this there is an interesting comparison to make.

There is something about the radical mind which causes it to delight in rambling in poetic spots. Facts are a bore, not to speak of being inconvenient when the attempt is being made to show how evil our social state is. In the young Senator's case, he might have had an interesting thesis if his facts were correct. But they are not correct. In the first place, credit is abundant and cheap to those who need it and can qualify for it, this including the farmer as well as the business man. In the second place, the condition of the farmer has improved greatly during the past year so that he does not require credit on so large a scale as formerly.

In the third place, business activity has declined to a point which has reduced the size of ordinary commercial demand for credit. In the fourth place, the addition to brokers' loans represents the use of funds which, under recent conditions in business, could not be put to work profitably otherwise.

Senator La Follette's contention is that in some mysterious way Wall Street has deprived business and agriculture of the necessary funds with which to do business and that it has used these funds for stock operation. But if Senator La Follette were acquainted with financial conditions, he would know what Wall Street really wants and needs is a healthy condition in business and agriculture and that, without great cost to itself, it would not willingly contribute to a situation which would lower the nation's earning power.

There may be many things wrong with Wall Street but one of them is certainly not any express purpose on its part to injure the nation's business. It is obvious that the financial centre cannot be healthy if the activities from which it derives its existence are impaired in vitality.

The writer, for one, proposes that a special school be founded in Wall Street for the especial purpose of acquainting radical leaders with the exact conditions of finance and investments. This might have the effect of diminishing the oratorical displays in Congress but it would aid to better understanding all around. Wall Street is really not a den of thieves and scoundrels such as some of our friends from the West suggest, but a place where a vital phase of the nation's business is conducted about as efficiently and honestly as its other branches.

In The Next Issue

Three Important Features

DIVIDEND FORECAST PART II

The dividend and market prospects for 150 separate issues in the following groups:

Steel	Petroleum	Mining
Auto	Equipment	Sugar
Tire and Accessory	Manufacturing	Shoe and Leather
	Miscellaneous	

THE SECRET OF FARM PROSPERITY

By W. M. JARDINE, *Secretary of Agriculture*

—in this important article, Secretary Jardine lays his finger on what is wrong with agriculture and shows how this great industry can improve its position.

FEDERAL RESERVE POLICIES AND THE STOCK MARKET

—a timely discussion of the most important subject now agitating financial circles. This article traces recent developments in the money market and draws specific conclusions as to the outlook for securities.

These are only three of the many important features to appear in the next issue which in many ways is almost encyclopædic in regard to scope of information presented.

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The MAGAZINE of WALL STREET

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INVESTMENT & BUSINESS TREND

The Federal Reserve Board Takes a Hand—Business Barometers Improving—New Impulse Toward Consolidations—Laggard Industries—The Market Prospect

THE increase in the rediscount rate from 3½% to 4% placed in effect by the Chicago Federal Reserve Board and followed by a similar increase by the Richmond Board, is the most interesting financial development of the year thus far. Though there has been a tendency to ascribe the Chicago advance as being due to a local victory as against the Washington officials, and hence without real significance so far as the New York rate is concerned, nevertheless the fact that the Richmond Bank has also increased the rate would seem to indicate that before long other districts will join the procession. The New York bank has also advanced the rediscount rate, and but in any case the practical effect of further increases in the rate by additional Federal Reserve Boards will be to draw off funds from New York.

In the meantime, the money market shows distinct signs of firming up with time money and call money already about one-half per cent higher than in the past month. A significant development is the continued liquidation of Government securities by the Reserve Board which is evidently determined to restrict the credit supply for the securities markets. Another development and one indicating an increase in business is the growing volume of rediscounts which is an entirely new feature as compared with conditions during the past half year. It is undoubtedly in anticipation of new business requirements that the Federal Reserve Board has seen fit to sanction the advances in rediscount rates which had been applied for in Chicago and Richmond. There appears to be no valid reason for believing that similar action will not take place elsewhere during the next few weeks. Either before and directly after such action, the credit supply for securities will be sufficiently limited to bring about a further increase in call and time money rates. It is the anticipation of this event which has caused so much irregularity in market dealings lately.

BUSINESS BAROMETERS

THOUGH it is still too early to judge the course of business during the next few months except from the most general viewpoint, nevertheless there are certain straws which have growing significance. The first and most important of these is that while car loadings are still considerably below figures for the same time last year, they are showing a tendency to make gains as compared with recent weeks. Another important indication is the genuine strength of the steel market, with both production and prices advancing. The backlog of orders is steadily increasing and the steel industry, in consequence, may be said to be facing a more profitable period than for the past six months. Commodity prices are stable with few signs of weakness at any point. Construction activities are planned for on a surprisingly large scale in consideration of the tremendous activity in

this field during the past few years. Automobile manufacturers expect a brilliant season but, it must be admitted, possibilities in this industry are not as certain as they might be.

Labor is fairly well employed with purchasing power at sustained levels. Condition of the farmers represents a real improvement over those of a year ago and their improved financial position is a definite factor in present business conditions and may be counted upon as a sustaining factor during the next few months. The seasonal spring increase in business activity is due to make its appearance. Hence, one seems safe in forecasting an increase in general business activity as compared with those which have prevailed during the past few months.

The problem of profits, however, remains to be solved. Competition remains as acute as ever and profit margins are no larger than they have been. In certain industries which are in a position to advance prices without upsetting demand, there seems a likelihood for improved earnings. This, however, does not appear a general characteristic. Nevertheless, while profits may not be large there is reason for expecting a substantial volume of activity with labor well employed at good wages and, hence, a prosperity of sorts.

CONSOLIDATIONS

An unusually large number of mergers in various industries have been announced lately. The most interesting is the merger between Youngstown Steel and Inland, on the one hand, and that between Republic Iron & Steel and Trumbull, on the other hand. It is believed that these two mergers will themselves be resolved into one titanic combination. In that event, it would leave the steel industry with three dominant factors, the Steel Corporation, Bethlehem Steel and the proposed amalgamation between the four above named steel companies.

Another merger is the one which has occurred between the Certain-teed Products Corporation and the Beaverboard Corporation. It is expected that an important merger of independent soft coal interests in West Virginia will combine their resources into one large company.

In the public utility field, the National Power & Light Co. and Lehigh Power have merged. In the business equipment industry, there has been the recent merger between Underwood and Elliot Fisher. These are very recent examples of consolidation. Thus the trend toward industrial concentration which started a few years ago has received new impetus. The economic reasons, of course, are well known. Under conditions of great competition, it is the natural tendency for corporations to merge and thus restrict competition. With the Administration apparently unopposed to such developments, there is no reason to believe that consolidations will stop at this point.

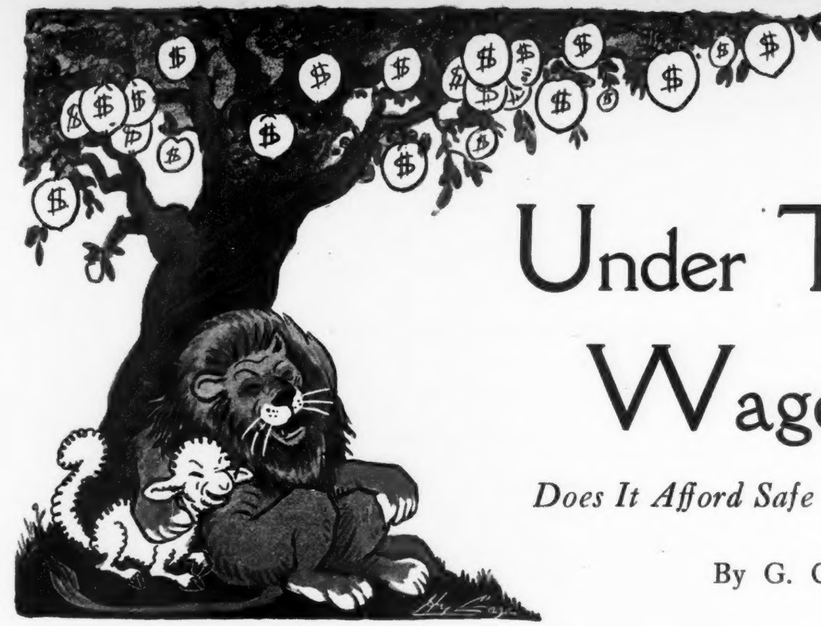
LAGGARD INDUSTRIES

Three industries stand out at present as being unable, apparently, to cope with the problems which have beset them in the past few years. These are the bituminous coal industry, sugar and petroleum. Except in a few isolated cases, companies in these industries have incurred losses during the past year and their more immediate outlook seems far from prepossessing. The sugar industry seems closest from extricating itself from its present position owing to efforts made to come to some sort of cooperation among the more important factors in the industry. It seems possible that some time this year, the position of the industry may become improved as a result of these efforts. The petroleum industry is still struggling with over-production and low prices but the seasonal increase in demand is almost at hand and at least temporary improvement may be expected. The soft coal industry, however, seems in a fundamentally hopeless position. Beset by acute labor troubles and intense and uncontrollable competition (except through Government action) it does not appear that 1928 will represent any improvement for this industry over the depressing results for the past year.

MARKET PROSPECT

The market proved itself susceptible to the tighter credit situation brought on by the increase in the New York rediscount rate. The ensuing liquidation, however, did not bring about a wide open break indicating either that up to the present the average marginal account is well protected or that powerful financial interests are determined upon preventing a sharp decline by throwing in supporting orders at the psychological time. Highly volatile issues should be avoided and in general speculative holdings should be severely limited. Some degree of liquidity is desirable at this time.

Monday, February 6, 1928.



The Capitalist Lion and the Wage Earning Lamb Lie Down Together

Under The High Wage Tree

Does It Afford Safe Shelter for Prosperity?

By G. C. SELDEN

Editor's Note—Mr. Selden was Assistant, Associate and Managing Editor of The Magazine of Wall Street 1909-1921. *He is the author of a number of books on financial and economic subjects. Because of his personal experience in business and investments, as well as his sound knowledge of economic theory, his articles combine the practical with the scientific.*

IT has always, until very recently, been considered a sort of axiom of industry that the employer would—philanthropy apart—endeavor to hire at the lowest wages which would command and retain the services of the kind of men he required. Low wages, it has been assumed, would, other things being equal, result in higher profits to him because of reduced expenses.

Since the war, however, a new theory has been more and more often advanced, which may be briefly stated as follows: If wages are reduced, the purchasing power of wage-earners is reduced with them. Therefore, considering the industry of the country as a whole, lower wages mean smaller sales, higher wages mean larger sales. In order to find a market for their products, industrial managers must maintain a wage-scale which will permit wage-earners in general to buy those products.

A Joke on the Capitalist?

As a very intelligent lady of my acquaintance remarks, the joke seems to be on the capitalist. After supposing for a century or more that his profits were being cut down by the increasing demands of his workmen, who by trade unions, "soldiering," and other devilish devices compelled him to pay them more and more compared to the work done, the capitalist has now discovered that the workmen were right after all, and that the road to bigger profits lies through higher wages.

If this be true, it would indeed seem that the millennium is at hand. Quite naturally, the workmen want a high wage-scale. It now appears that the employer wants the same thing. What could be more sweetly harmonious?

Yet, there may be among our readers some hard-boiled bald-head who is innately suspicious of millenniums in general and especially of millenniums which depend upon capital and labor kissing each other. For the benefit of this skeptical person it may be well to examine this millennial prescription, analyze some of its ingredients, and see just what it means and what it doesn't mean.

Some of us can remember the "new era" upon which investors saw the country embarking a quarter century ago, when those big business combinations were forming which were popularly known as trusts. By the simple process of putting together in a holding company many industrial plants, often widely separated and widely different in character and methods, such economies were to be inaugurated as would usher in a new age of large and consistent profits —combination instead of competition was to be the slogan. This, in turn, would mean tremendous and rapid accumulation of industrial capital. So heated did the imaginations of investors and speculators become that securities were ballooned to prices theretofore unheard of and many stocks of companies having no more than ordinary prospects sold at levels where they yielded three per cent or less on the investment.

There followed the "undigested securities" period of 1903, the money panic of 1907, the trust-busting activities of the Government, the prolonged dullness from 1908 to 1913. Some of the unwieldy combinations fell apart of their own weight. Others were gradually rebuilt and welded together into successful companies. Still others were dismembered by the Government—but in those instances the separate pieces, like those of the angleworm, seemed to grow new heads or tails, as might be needed, and to proceed merrily upon their way.

The country continued to progress, and these combinations, though hastily and sometimes unwisely made, played an important part in that progress; but as for the "new era," it proved to be pretty much the same old era, business as usual, with the customary number of worries, uncertainties and upheavals.

Will the present new era, in which the capitalist lion and the wage-earning lamb are to lie down together under the spreading branches of the high-wage tree, likewise prove to be the old era after all? Will the slogan "high wages and big consumption" prove permanent, or is it one of those business shibboleths which run from mouth to mouth until their career is cut short by the merciless logic of events? Or, if this new and attractive theory cannot accomplish all that its originators believe, what can it accomplish?

An Obvious Limitation

However Pollyanna-like may be our desires, as soon as we begin to reflect upon the subject we come up against the blank wall of an obvious limitation: *Producers who raise wages in order to give their employees more buying power, cannot possibly get back in increased receipts from that source anything more than what they have already paid out in the form of higher wages.*

This is a mere matter of arithmetic. Assume that all the employers in the country raise wages ten per cent in order to give their workmen more buying power. It is conceivable that all the additional money so paid out might,

by indirect and roundabout routes, come back to the employers—though it is probable that some small part of it might escape into foreign countries in such ways as not to be heard from for many years. But at any rate *no more* money can come back, as a direct result of the expenditure, than the amount paid out. It simply would not be there to come back.

So when Mr. Ford—whose practical business genius was, so far as I know, the first to prove in any large way that a high wage-scale pays, or Mr. Schwab, another who has emphasized this point of view—says that liberal payments to employees must be maintained in order to increase their purchasing power, we are left somewhat in doubt as to his exact meaning. For on the face of the returns no increased profit, but probably some minor loss, would result from the adoption of such a policy.

CAN the prosperity we have been having in the past few years go on indefinitely? Or must there be a speedy end? Is the present prosperous era doomed to abrupt conclusion? This intensely interesting article offers an answer to these all-embracing and vital questions of the day.

Yet we have before us certain patent and incontrovertible facts: First, wages in general are higher than ever before, not only in cash but in purchasing power, have been higher for half a dozen years, and, aside from minor reactions, appear to be still on a slow up-grade. Second, the total volume of production in the United States is far greater than ever before. Third, prices of goods to the consumer have not risen as much as wages have risen. And fourth, general prosperity during the last three years has been greater and more widely diffused than at any previous period in our history.

The Peripatetic Dollar

In the examination of any economic or business problem, a useful method is to start from the beginning. Consumable goods, the things we all want and buy, are produced primarily by labor—assisted, under modern industrial conditions, by capital, by natural resources and by management—or the entrepreneur, as he is called in the classic textbooks. The barefoot boy who goes fishing and catches a dollar's worth of fish, has turned his effort into a dollar of consumable value. In the lake, the fish were of no use to anybody; caught, they are worth a dollar.

He has increased the wealth of the country by one dollar's worth of product; he has created value by work, and broadly speaking, that dollar never stops going until it is spent for something consumed by a non-producer. That is, every producer, while consuming the dollar, creates at least another dollar's worth of value of some kind of goods.

TO maintain prosperity, the dollars must keep moving. So long as we keep consuming and producing, so long as we keep goods in rapid motion, we shall continue to be prosperous.

Even if the boy "saves" his dollar and puts it in a bank, it soon comes out again, for the bank cannot afford to let its money lie idle. It may, for example, be invested in a railroad bond, but the railroad company which gets the money soon pays it out for wages or materials, and it keeps on going until it falls into the hands of some idler who spends it merely for the silly purpose of maintaining his useless carcass. There it stops, because the idler, while using it up, has not created another dollar-value to take its place.

The young fisherman is simply typical of all production. Everybody who works, with hand or brain, is producing dollars which keep on going from hand to hand until they are eaten up in some useless way. All the boy has to do to get more dollars is to catch more fish; and just so all society has to do to get more wealth, or consumable products, is to produce more. However much confused the subject may be by discussions as to wages, interest, rent, marginal producers, waste, transportation, taxes, division of labor, trade cycles, credit, gold reserves, exports and imports, the elementary principle remains the same: Work produces dollar's-worths of consumable goods, and each dollar keeps on going until it is eaten by a drone.

Now what has happened to the boy in recent years is that he has invented a fish-hook that catches twice as many fish in an hour as he formerly could catch; so he starts two dollars going where previously he started only one. That is, thirty years ago American manufacturers made use of two H.P. of mechanical power with each workman, on the average; now they use about five H.P. with each worker. The result is that the purchasing power of the average wage—the "real wage," as it is called—has increased about one-third since 1914.

Before that date the wage-earner was not getting his share of the increase in production—he was right about that. Now he is getting a much larger share than he formerly received. Why the change? There are many reasons. One is found in our new policy of restricting immigration, which has checked the inflow of new and for the most part ignorant workers; another is the higher average mechanical intelligence of wage-earners, which makes them more valuable; another is the greater accumulation of capital available for industrial purposes, with which is closely connected our greatly improved methods of handling credit; and one of the important reasons, undoubtedly, is the general feeling among employers that a relatively high wage-scale pays.

There is, however, still another reason which is probably the most effective. We saw that the boy's dollar stopped going when it fell into the hands of an idler. Suppose this idler was not idle from choice but from necessity. Suppose he was a wage-earner out of work, because of a strike, or a panic, or business depression, or "over-production" (which means unbalanced production), or credit stringency, or any one of many other causes. Forced idleness is economically worse than voluntary idleness, for the voluntary idler must have somewhere a source of income, which is usually capital—a useful thing in itself, even if its owner is not useful.

Irregular employment means thousands of temporarily non-productive consumers. Likewise it means non-productive machinery, factories, capital, railway cars and locomotives. It means that thousands of persons are no longer turning their work into circulating dollars, that wealth is being dissipated instead of being increased.

Stability and regularity of industry mean more to the efficiency of production and therefore more to the rapid accumulation of wealth than any other one thing. And it is in this direction that the greatest strides have been made in the last half dozen years. Towards this the Federal

Reserve Bank system has contributed much by supplying credit when needed and keeping the money market on an even keel. Better management and more cooperation among employers, especially in various kinds of trade associations, have contributed much. A broader-minded attitude on the part of members of trade unions, and better leadership in the unions, have contributed much.

But higher wages have contributed most of all. They have forestalled strikes, reduced the labor turnover, encouraged employees to more effective work, stimulated loyalty and interest in the business—with the general result of far greater continuity, stability, and, therefore, efficiency in industry than ever before. People have been able to buy more because the steady flow of the dollar-values of production has not been interfered with.

So we see that a high wage-scale really does increase the purchasing power not only of employees but of everybody else, because it tends to keep them steadily at work. They produce more, therefore they can buy more and have more. And it is difficult to set any limit to the creative power of the human mind.

This matter of the steady flow from hand to hand of the dollar-values created by labor has far-reaching effects. It not only prevents the wasteful idleness of men, machines and money, but it permits a tremendous speeding up of all industry, so that each dollar of money and each dollar-value of goods, by moving along faster, can do a great deal more work. If the railroads at one time have very little to haul and at another are flooded with traffic, they become congested, needed materials are held up, and industry is thus hampered. But if their business is evenly distributed they can handle it promptly.

If the merchant cannot get goods promptly, whether because of railroad congestion or because of irregular supplies at the factories, he must carry a large stock to make sure of supplying his customers. One of the most helpful factors in the present situation is that not only merchants but people in all lines of business and even consumers are able to buy "from hand to mouth," as we say. Goods are kept moving, as well as dollars.

Stagnation, congestion, delay are the great enemies of prosperity because they mean idleness—workers are no longer creating dollar-values of consumable goods, and if they don't create them, they don't have them.

As I see it, therefore, high wages do increase the purchasing power of employees quite definitely, not through the direct return of the additional money paid out, but through stabilizing, steadying and speeding up the manufacture and exchange of goods; through maintaining an even and regular flow of production, distribution and consumption, and in large part obviating idleness, congestion and delay. And the well-maintained average prosperity of the last three years has been chiefly due, first, to the regular employment of workers; second, to the general speeding up of all industry which this regular employment has made possible; and third, to abundance of easy credit, which in turn has been in considerable part the result of this regular employment and general speeding up.

Will It Be Permanent?

There remains to be considered the question whether this kind of prosperity can be permanent. During the last half of 1927 some falling off in the activity of trade was noticeable. It is true that this was not serious. The statistical department of the New York Federal Reserve Bank figures that the whole volume of production and trade in 1927 increased 2½% over 1926, as against an average gain during the preceding seven years of about 4% a year. Total car loadings of the railroads in 1927 were 3% less than in 1926, 1% more than in 1925, 6½% more than in 1924.

In several lines of business over-production, or under-consumption, as you choose, has been evident. Again, during this three-year period there has been some increase in the proportion of goods sold on the installment plan, and a rather notable increase in the purchase of homes on that plan. It may reasonably be argued that this constitutes an anticipation of normal demand, a sort of hot-house forcing of consumption, and that installment buying cannot indefinitely continue to increase at the same rate as in recent years.

Furthermore, a great amount of American capital has gone abroad in the three years, where it is used, directly and indirectly, to build up the trade of foreign nations instead of being kept at home to build up our own trade. Is that because a gradual over-production of goods at home has limited the opportunities

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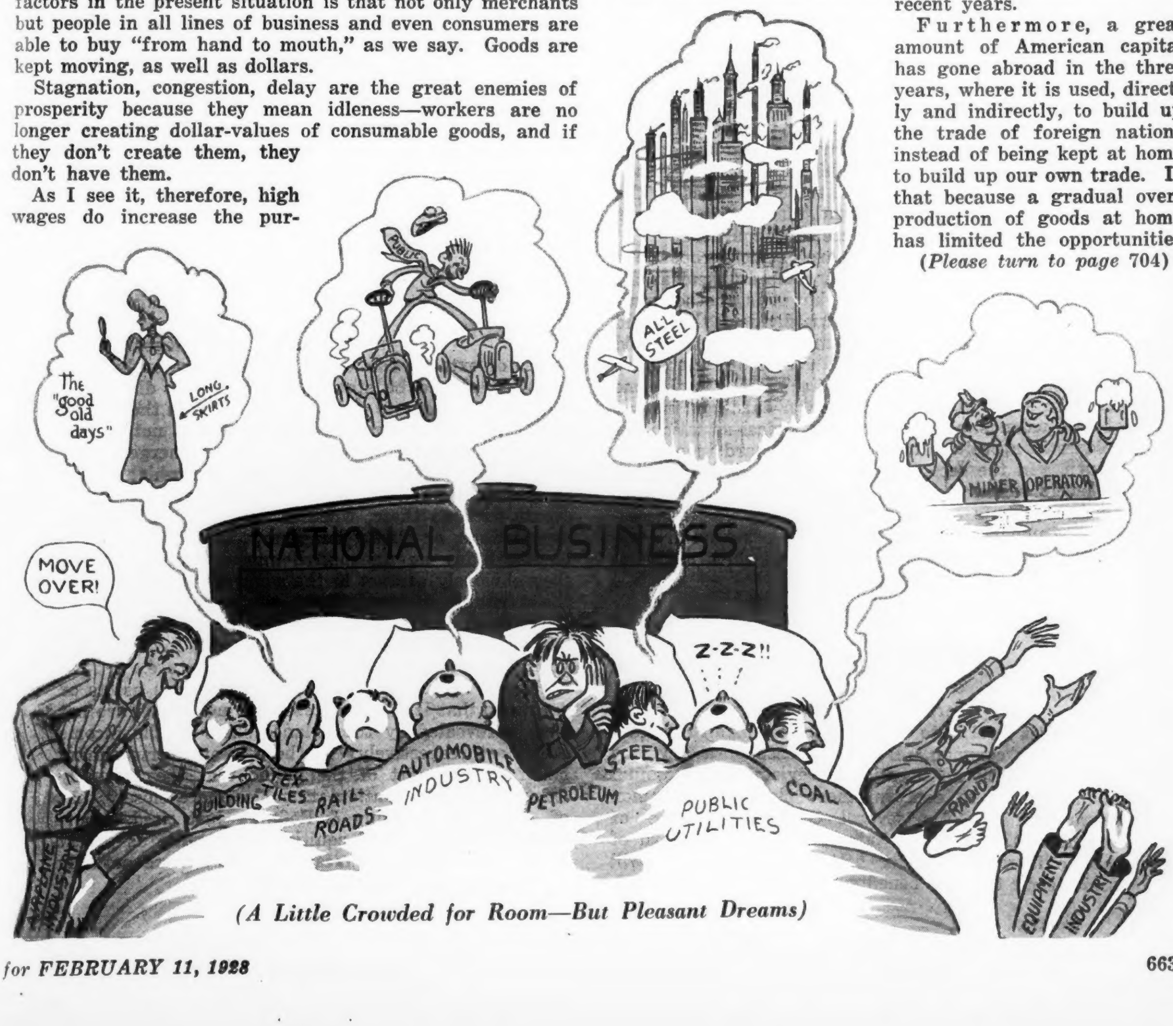


(A Little Crowded for Room—But Pleasant Dreams)

¶ **This article possesses the most timely and practical importance in the light of current stock market conditions.**

¶ **It analyzes comprehensively the status of certain types of high-priced stocks in relation to their earnings or other factors which have been the basis of their enormous market advances.**

¶ **It answers the question as to whether gilt-edge stocks are immune from general market declines.**

The Risk Factor in Gilt-Edge Stocks

By G. F. MITCHELL

ONE of the most striking features of the present stock market situation is the virtual disregard of current earning power of companies of a certain type in appraising the worth of their common stocks. Yields of less than 4% on premier common issues have become sufficiently frequent as to excite little comment. It is not so much a question of actual yield as potential yield, however, for the policy of retaining in the business all but a moderate portion of surplus earnings is so prevalent that the average common stock investor is entirely willing to base his commitments upon earnings equities rather than tangible cash returns. This is in the belief that surplus funds can be employed to better effect by the company than by the individual, the loss in interest being more than offset by increasing equities.

This applies when earnings are of such proportions as to permit a materially larger cash dividend at the discretion of the management, but it is another matter altogether when the maximum dividend that could be disbursed on the basis of reported income would provide a return not a great deal more attractive than the nominal yield already in effect. In the one case the stock is simply selling on earnings instead of on dividends, a recognized and logical situation for holders in a position to forego a standard investment return. In the second case, however, quotations are at levels where the percentage even of earnings to market price is absurdly low, and it becomes necessary to unearth the impelling motive behind the apparently inordinate buying power of which many issues of this character are recipients.

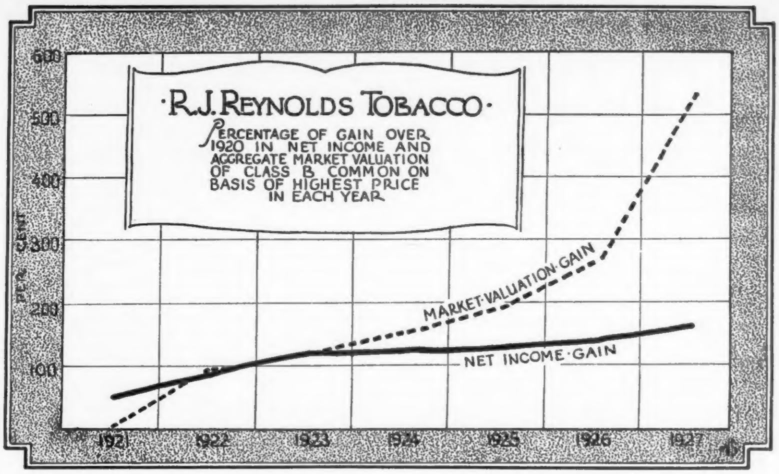
An Example

Probably the best instance of a stock offering a moderate yield but with earnings amply sufficient to justify its market level is to be found in American Smelting & Refining common. Here is a case of a company with apparently no intention of revising its $8 annual dividend rate to conform more closely to common share earnings for several consecutive years of around $20. Sooner or later, if such a standard of income is maintained or bettered, stockholders will derive some tangible benefits, but for the present they must be content to watch their equities grow year by year. Inasmuch as an equity substantially greater than would be indicated by the dividend alone already exists, a share of stock even though high priced represents a definite value on the basis of conditions now prevailing, but this is by no means analogous to a situation wherein a similarly priced stock is without compensating present value, at least on the surface. In the latter event, assuming that the high market levels have been of sufficiently long duration to preclude the likelihood of purely manipulative and unwarranted action, the stock must inevitably be discounting something intangible, something far more intangible and elusive than undistributed surplus earnings.

Two Main Phases

Intangible elements of this character generally assume two primary forms, either alleged hidden values or extreme confidence in the future outlook, or both. It should be stated here that this discussion has reference only to conditions inherent in the affairs of the particular companies involved and not to isolated developments such as a favorable merger prospect or any single business transaction which might entail abnormal but non-recurring profits. It is events such as these, whether actual, the subject of negotiations, or purely imaginary, that are responsible for many an unexpected market movement, but they obviously are not in the same category and lack the substance of steady price advances predicated on the normal evolution of a basically sound enterprise without the assistance of spasmodically favorable developments of probably a transitory nature.

Hidden values may be embodied either in assets or earnings, that is, they represent values which are not clearly revealed by the balance sheet or the income statement respectively. If there is an overwhelming belief on the part of the public that they actually exist, then the situation resembles more closely that of American Smelting & Refining just cited, assurance as to unrevealed equities being quite as potent a market factor at times as if they were actually disclosed by the financial statements.

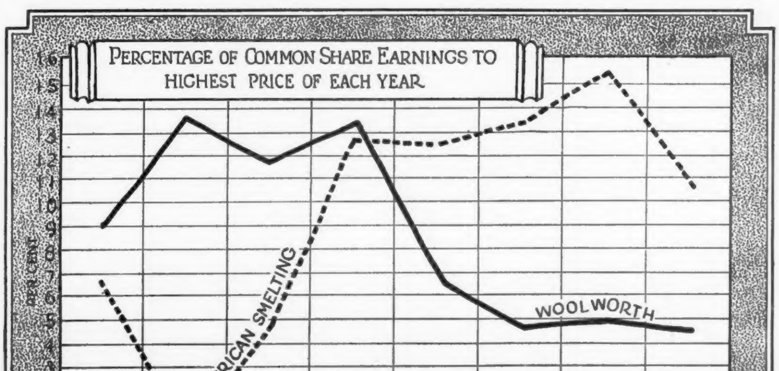


Concealed assets occur most frequently when important properties are carried on the books at original cost or at some figure not at all representative of their present day value, or it may be that regular operating income has been applied on a large scale to the acquisition or construction of new properties with no corresponding changes to the property account on the balance sheet, which could hardly have been avoided had the additions been financed through new capital issues.

There are cases where income reports are not representative of true earning power, either as a result of this policy of expansion from earnings or on account of extremely liberal deductions for depreciation or for reserves of various kinds. When published data is in condensed form, and no information as to volume of sales is disclosed, it is especially difficult to diagnose the real status of earnings, and in the case of a consistently prosperous company, the presumption in the public mind is usually that they are understated rather than otherwise.

Over-Valuing the Future

While the belief in concealed equities is an important factor in maintaining a stock at levels hardly warranted by surface conditions, it is probably not as powerful an influence in this direction as is the element of unbounded confidence in the outlook for continued growth in volume of business and in earnings. Recognition of some sort has always been accorded in the market to stocks of companies more than ordinarily susceptible to steady growth year after year, either because of the character of the industry in which they operate or for reasons inherent in themselves, but as the general level of stock prices has advanced such recognition has become more and more pronounced, until the spectacle of issues most in public favor selling in excess of twenty times their annual earnings is by no means unusual. Does this situation contain the elements of soundness or are such stocks more dangerous than issues of a lower grade with quotations at figures more logical in relation to earnings?



Situation Created by Market Conditions

Experience, unfortunately, provides only limited data upon which to base a reliable answer to this question. It is a situation largely created by the stupendous rising market of recent years, and it will require a much more comprehensive movement in the reverse direction than has yet been witnessed in order to arrive at a definite decision. The point at issue resolves itself into the question of *how far it is justifiable to capitalize the future in appraising the present worth of a stock.* Although by no means alone in this category, F. W. Woolworth common may be taken as an outstanding example of an issue whose market price is habitually predicated to a marked extent on such considerations. The accompanying graph illustrates the manner in which the percentage of earnings to market price has receded. It will be noted that the tendency in this respect, while being maintained, has been far less pronounced during the last two years, indicating perhaps that a saturation point is approaching even in the absence of weakness in the market as a whole.

It will be highly interesting to observe the effect of a sustained downward movement in the market upon issues selling at twenty times their annual earning power. The fundamental soundness of such levels depends partly on the point of view, whether the stock involved is regarded as a more or less permanent investment or as a vehicle for speculative profits. No falling market of vital proportions having occurred since the situation under discussion became so prevalent, the only criterion at our dis-

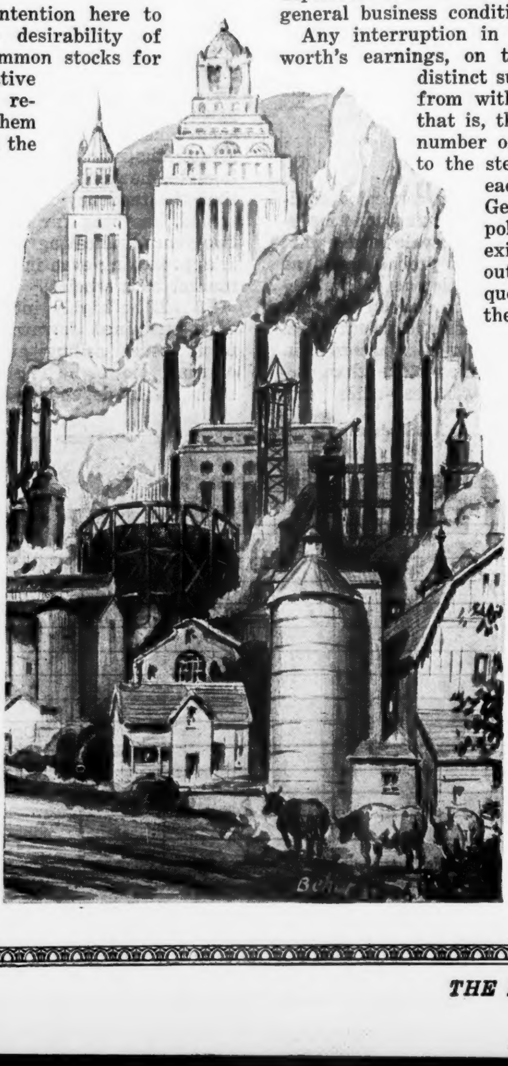
posal is the severe but short-lived break inaugurated in March, 1926. *This event demonstrated conclusively that gilt-edge common stocks were far from being immune from the adverse effects of a general price deflation of this character.*

"THERE is no stock possessing such merit as to be desirable at all times regardless of price unless the purchaser is perfectly content to stand by for an indefinite period."

Woolworth common underwent a precipitate drop of nearly ninety points within a few weeks' time, while General Electric fared but little better. As events proved, the investment holder was not to suffer any permanent disadvantage from these seeming catastrophes, for the March break turned out to be no more than a technical reaction on an unusually large scale, and these issues, together with others in the same category, have long since made up all the lost ground and more. The results, however, were nothing short of disastrous to the margin trader, thus rudely upsetting the favorite theory that high grade issues are a sinecure against substantial speculative losses. It is no pleasant experience even for the investment holder to witness so drastic a devaluation of his property, temporary or otherwise, and he should accordingly at least be cognizant of such a possibility, and guard against it at his discretion.

Inherent Strength There is no intention here to disparage the desirability of high grade common stocks for both investment and speculative purposes. Their inherent recuperative powers render them by far the safest vehicles in the long run if held on an outright basis. The important point to consider is that at any particular time they may be inflated to the same or a greater extent than other issues which have advanced substantially on purely speculative considerations without having as yet attained any investment background, and, in this event, they will be as adversely affected for a time, at any rate, in case of a sudden reversal in the trend of the market.

The theory that a gilt-edge common stock is not subject to a sharp reaction under such circumstances is a fallacy, especially when the stock involved has participated extensively in the general market rise and has advanced to a point in excess of twenty times its current share earnings. Issues of the type of General Electric, Woolworth, Kresge, and American Can, where the operations of the companies, supported by unquestioned financial strength, are of a nature to parallel the growth of the country, will in all probability eventually show a profit no matter at what time acquired, but this does not justify a purchase at an uneconomic level, regardless of what further advances may develop prior to the inevitable adjustment in values to a more rational basis. After a certain point, an upward movement in any stock, without regard to how much intrinsic value it may possess, and in the absence of unusual developments impending, becomes purely speculative in character, and the greater the speculative excesses the more severe will be the subsequent corrective reaction.



It is unfortunately impossible to apply the same measure of reasonable value to any considerable number of stocks, and it is difficult to do so even in the case of only three or four different issues. Even two such fellow aristocrats of the market as General Electric and Woolworth must be judged by different standards, for, while the scope of operations of both companies is bound to increase appreciably over a period of years, General Electric's growth is of a type which may be more spasmodic and more dependent from the short term point of view upon general business conditions.

Any interruption in the upward trend of Woolworth's earnings, on the other hand, would be a distinct surprise in view of the growth from without as well as from within, that is, the continual expansion in the number of operating units in addition to the steady gain in sales volume of each store. In other words, General Electric's expansion policy is dictated more by the exigencies of demand for its output, although there is no question as to the direction of the secular trend. It is simply the differences inherent between a manufacturing and a merchandising enterprise, both occupying positions of preeminence in their respective fields. Insofar as intermediate market movements are governed by potential variations in earnings, Woolworth in possessing the greater stability should theoretically be deserving of the greater confidence from the shorter range viewpoint.

Glamour vs. Merit As a matter of fact, when its tone is predominantly strong, the market is inclined to overlook current earnings developments as a major factor in its appraisal of

common stocks of the highest grade. Conviction as to the fundamental soundness of the earnings situation becomes the basic element even in the mind of the trader, and as this conviction gains headway in cumulative fashion, it is increasingly difficult to penetrate the glamour surrounding the affairs of the company sufficiently to judge the matter on its real merits. The present is lost sight of in the exhilaration regarding the anticipated future. In this way a stock continues to sell farther and farther ahead of itself, as it were, until the inexorable laws of economics, artificially frustrated for a time, finally assert themselves in no unmistakable manner.

The foregoing applies particularly to issues of companies wherein the outlook for any semi-permanent reversal in the trend of earnings is remote. High priced stocks are by no means always of this type. General Motors common, for example, has been an outstanding market leader for many months past and its movements until fairly recently have been highly spectacular, but it has yet to reach the stage where earnings are not the major consideration, and at no time has it advanced very far in excess of ten times its current share earnings. Its recent action has been marked by a hesitancy induced by doubts in some quarters as to ability to maintain the accustomed standard of income and growth in the face of the newly revived Ford competition as well as increasingly aggressive competition from other sources. Should these fears be realized, an appreciable decline in the stock is to be expected regardless of the condition of the general market, but if they should prove to be unfounded, the stock would undoubtedly give a far better account of itself in the event of a general reactionary movement than those ostensibly more reliable issues which are, however, discounting the future for indefinite periods in advance.

Other Examples Somewhat similarly, the two leading agricultural implement stocks, International Harvester and J. I. Case Threshing Machine, have scored stupendous advances, but advances based for the most part on indicated earnings. They could hardly fail to be adversely affected by any general market weakness, but probably to a smaller relative extent, provided their earnings position has undergone no change, than issues whose prices are based on large scale anticipations rather than earning power already achieved. It is

(*Please turn to page* 722)

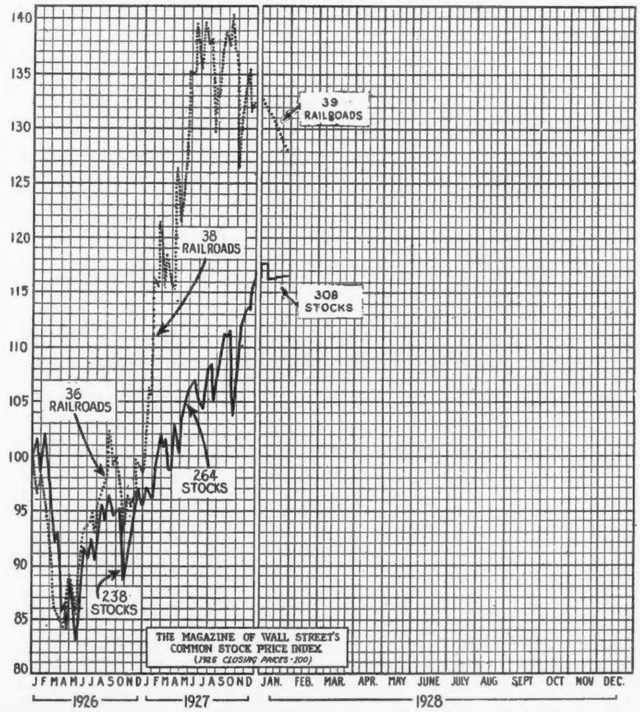
THE MAGAZINE OF WALL STREET'S

COMMON STOCK PRICE INDEX

(1925 Closing Prices = 100)

Number of Issues in Group	Group	1928 Indexes (308 Issues) High	1928 Indexes (308 Issues) Low	Recent Indexes Jan. 21	Recent Indexes Jan. 28	1927 Indexes (264 Issues) Close	1927 Indexes (264 Issues) High	1927 Indexes (264 Issues) Low
308	COMBINED AVERAGE	117.7	116.3	116.4	116.6	116.3	116.3	95.7
39	Railroads	132.8	128.0	129.5	128.0	132.0	140.2	98.5
2	Agricultural Implements	300.6	289.0	289.0	291.0	300.0	(Begun 1928)	
2	Alcohol	177.6	170.8	174.5	170.8	172.1	175.3	82.1
12	Automobile Accessories	93.6	90.5	92.7	90.5	91.6	96.8	75.6
17	Automobiles	89.8	83.1	85.0	84.3	89.8	89.8	70.1
2	Baking (1926 Cl.=100)	76.1	69.4	75.2	71.5	69.4	100.6	53.0
2	Biscuit	194.5	183.2	184.7	194.5	187.0	(Begun 1928)	
4	Business Machines	171.2	153.7	157.2	171.2H	159.1	160.2	108.5
2	Cans	122.4	117.2	118.1	122.4H	119.9	119.9	77.3
4	Chemicals & Dyes	166.2	163.5	164.5	164.0	166.1	168.9	132.0
2	Coal	108.0	92.4	101.7	92.4	108.0	(Begun 1928)	
12	Construction & Bldg. Material	101.1	96.6	98.5	101.1	99.5	101.3	78.9
12	Copper	177.6	166.6	166.6	168.0	177.8	179.5	105.9
2	Dairy Products	72.2	70.1	72.2	71.6	70.4	80.0	59.8
3	Department Stores	68.0	66.6	67.7	67.5	68.0	86.0	64.5
7	Drugs & Toilet Articles	163.5	160.9	161.2	163.5	162.0	171.2	147.3
5	Electric Apparatus	129.6	127.6	128.9	128.6	129.6	129.6	97.6
3	Fertilizers	87.6	83.3	83.3	83.8	84.0	85.7	47.8
2	Five & Ten Cent Stores	106.8	101.6	104.7	104.1	106.8	111.5	69.6
3	Furniture	131.5	125.5	129.6	131.5H	127.4	127.4	89.1
5	Household Appliances	97.0	93.1	94.1	96.5	97.0	(Begun 1928)	
2	Mail Order	155.2	147.9	151.3	152.5	149.3	152.3	82.8
4	Marine	79.6	73.1	79.6	73.1	74.9	113.4	69.5
5	Motion Pictures	105.9	101.1	105.9	101.1	102.9	120.3	96.3
36	Petroleum & Natural Gas	99.5	95.6	97.6	95.8	96.6	103.5	86.9
17	Public Utilities	139.1	127.9	133.9	139.1H	129.5	132.5	93.1
10	Railroad Equipment	128.9	127.5	128.5	128.7	128.9	128.9	100.3
2	Restaurants	105.5	100.5	102.7	100.5	104.0	(Begun 1928)	
2	Shoe & Leather	147.7	138.3	144.1	147.5	138.3	152.3	69.8
2	Soft Drinks (1926 Cl.=100)	157.5	152.9	157.5	156.3	152.9	(Begun 1928)	
11	Steel & Iron	90.9	88.5	90.8	90.9	88.7	92.0	74.8
6	Sugar	89.5	84.8	87.8	84.8	89.5	112.7	76.9
2	Sulphur	386.9	376.2	379.2	376.2	381.7	381.7	166.1
2	Telephone	124.2	122.8	123.4	122.8	123.8	127.1	104.6
4	Textiles	83.8	79.0	82.3	83.8	79.0	106.5	71.9
7	Tire & Rubber	99.6	95.3	95.3	96.6	96.6	97.8	64.4
8	Tobacco	190.3	182.9	182.9	184.0	190.3	193.6	159.9
4	Traction	118.5	103.8	110.5	118.5	107.6	130.0	107.6
42	Unclassified (1927 Cl.=100)	104.7	100.0	103.0	104.1	100.0	(Begun 1928)	

H—New HIGH record since 1925.



(An unweighted Index of weekly closing prices, specially designed for investors. The 1928 Index includes 308 issues, distributed among 38 leading industries; and covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments; and reflects all important price movements with a high degree of accuracy. Our method of making annual revisions in the list of stocks included, renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.)

The Machine Age at Its Highest Point of Development

As the artist sees it in "Metropolis," a Paramount picture, depicting the future age of man, to whom all things will be possible through inventive and mechanical development.

How New Inventions Are Changing the Course of Business and Industry

By Gustavus Myers

FEW people realize the rapidity and scope of the great changes brought about by revolutionary inventions which are changing the map of industry. The author, in this article, presents the salient facts regarding a few of the more important inventions. In the special table accompanying the article, will be found a list of specific inventions and the industries and companies they affect.

IN the whirligig of affairs so many news events and personal matters pre-occupy our attention that we are prone to overlook the significance of some great changes vitally affecting the course of industry. This is, of course, assuming that we are supplied with news elucidating what is happening in this field. As a matter of fact we are not kept well informed. After many a notable invention has passed the experimental stage and is well on the road to supplanting established methods, there is little general realization of the fact. This is not because no news dealing with the subject has been published, but because the news is too often presented in a piecemeal, disconnected and incidental way. Occasionally, an invention is featured conspicuously but even then no guide is furnished in editorials or otherwise as to what may be its large probable or certain results.

The Investor's Requirement

The strangest point about this situation is that we are living in an intensely industrial age which concerns the active interest of large numbers of people. True, twenty years ago American industry was also an energetic institution. But there is a vast difference between then and now. Up to that time stocks were mainly held by individual proprietors or by small groups of bankers with a not considerable margin of outside investors. Today, by the popular diffusion of stock ownership, millions of small investors are keenly interested in the welfare of industries in which they have put their money. Large numbers of other persons are desirous of forming an intelligent idea of where and how to invest their funds. They naturally seek information put in such an understandable way as to enable them to know existing conditions and to estimate prospects.

Among the prime factors affecting industry are the application of new principles and the invention of new processes. Legislation can be modified or repealed. Once practically demonstrated an invention cannot be dispensed with except by a superior device. No law can decree a plant obsolete but a patent right possessed by a competitor may quickly do so and in a way from which there is no appeal. This being so, a timely knowledge of changes constantly going on is vital. Usually, after the initial announcement of an invention, especially of a striking one, little more is said. The assumption is that everybody knows about it and nothing more need be said.

The later career of the invention, however, may be its most important phase. What has been the invention's progress directly or indirectly? Has it superseded certain kinds of raw material or allowed that raw material to be used in a new way? Has it gradually or rapidly displaced long established methods? What, as shown by its actual record, does it forecast in future possibilities? The few who make it their business to keep close and careful watch on developments are advised on these points. But the many remain unenlightened, and in the meantime, while transformations are going on, are left without guidance. The value of plants in which they hold stock may be slowly yet surely deteriorating, while the business and importance of other plants or newer enterprises benefiting by some advanced invention may be constantly enhancing.

Too Late in Recognizing Meaning of Situation

Frequently owners of existing industries do not themselves see, until long after the inroads have been made, the effect of new inventions upon their properties. Looking back there may be a temptation to criticize electric street railway companies for their lack of foresight in not recognizing the automobile as a formidable competitor. But there was an aspect which deceived almost everybody and which we are inclined to forget. In its first stages the automobile was a costly article. No indication pointed to the fact that it could be sold cheaply enough for mass purchase and popular use. Consequently neither electric railway nor steam railroad companies were alarmed. But when Henry Ford introduced an inexpensive automobile and when he and other automobile manufacturers adopted the installment purchase system, buying became general. It was only then that transportation companies awoke to the fact that they had a powerful rival.

The results were not so noticeable in the first few years after automobile popularization. But considered over a period of years they were cumulative and startling. From 1917 to 1926 the number of passenger automobiles in the United States increased from 4,500,000 to 20,000,000. In the same period population increased from 102,000,000 to 117,000,000. Meanwhile, during the whole of that decade, the number of passengers carried by electric railway lines remained the same—15,000,000,000. Many small lines were abandoned; other lines had all they could do to continue operation. Recently, electric railway traffic has somewhat increased. But this is only because, after a severe lesson, companies have strenuously exerted themselves to attract

public patronage by providing conveniences and comforts offered by new inventions. Various companies have introduced or annexed automobile bus routes as coordinate parts of their systems. And realizing that they are dealing with a public accustomed to soft and easy automobile riding, they have in a number of places equipped cars with well-padded leather seats, aluminum bodies and noiseless trucks.

Automobile Competition and Railways

It is not so many years ago that both electric railways and steam railroads were regarded as having an assured monopoly in their respective fields. They were considered prime investments. Recently, Charles H. Ewing, vice-president of the Reading Railroad Company, quoted a statement that in five years railroad passenger traffic had declined 22% in the East; 42% in the South; and 48% in the West. He did not vouch for these figures but he did affirm that material decreases had resulted from the wide use of automobiles and motor coaches on improved highways. These decreases were mainly in day coach travel which in five years fell from 69% of the total to 56%. For the total group of American electric railways, the return on investment, according to figures prepared by the American Electric Railway Association, have been slightly more than 4%. The explanation is made that fares are still too low to afford adequate return to stockholders.

Fuel Oil and Coal

Fully as impressive is the case of fuel oil and the inventiveness which gave it practical use. For a long time this kind of oil was merely a by-product of the oil industry. It sold at a low price. Hardly anybody thought that this heavy oil could ever possibly be utilized for fuel. The obvious objection, and one that seemingly could not be overcome, was the fire danger. But a quarter of a century ago came the invention of the Diesel type of engine to surmount this apparently unsolvable difficulty. The Diesel engine was operated on a new principle. By the injection of highly compressed air heat was developed to ignite the oil and produce combustion in the cylinder at the end of the compression stroke. This combination practically obviated all fire hazard.

The salient feature of this invention was duly published and then (except in the case of technical periodicals) the subject was dismissed save for occasional references. Operators of both anthracite and bituminous coal mines had the fullest opportunities to retain engineers, obtain reports and learn something of the potentialities of this new engine and what it might mean to their industry. Evidently, they gave it scant consideration. Their business was thriving and for years continued to yield good profits. Neither coal miners nor their leaders had any realization that at a time of its apparent greatest prosperity the coal industry was being undermined by the slow yet steady adoption of fuel oil.

In the matter of fuel oil utilization, also, the first developments did not foreshadow the later expansion. Here and there a ship was equipped with the oil burning engine but the movement toward abandoning coal did not seem general. Even when, during and after the war, the United States Shipping Board turned increasingly to the use of fuel oil for the merchant marine and the Navy Department for warships, coal mine operators held to the firm belief that as fuel oil was no cheaper than coal, their product could and would hold its position.

By 1920 it was clear to the discerning that fuel oil was fast displacing coal. In 1921 the United States Shipping Board required 60,000,000 barrels of fuel oil. The United States Navy Department then needed 8,000,000 barrels of fuel for vessels already built or equipped to be propelled by oil burners, and it was constantly planning more motor

Recent Mechanical Inventions and the Companies Affected

Development	Commercial Importance	*Companies Affected*
Beam Radio and Short Wave Radio Transmission.	Practicability of inter-continental communication has been demonstrated by English Marconi Co. and plans for further extension of radio communication for commercial use will probably be along these lines.	Mackay System (Postal Telegraph), Radio Corp., American Tel. & Tel., Western Union.
Roller Bearings for Railroad Cars.	Greater ease and comfort for passenger trains and fuel saving for both freight and passenger trains has led a number of roads to install roller bearings on both old and new equipment.	Timken Roller Bearing Co., Hyatt Roller Bearing Co. (General Motors).
Aston Pig Iron Process.	Reduces high cost, inevitable with hand puddling of pig iron, and may bring wrought iron down to competitive price level with steel.	The Aston process is owned by A. M. Byers & Co.
"Talking" Moving Pictures.	Used for both entertainment and educational purposes, the "talking" movies have already received sufficiently enthusiastic public reception to assure further exploitation.	Fox Film Co. Warner Brothers
Orthophonic Record Reproduction.	Electrical recording and the development of the new orthophonic reproducing principle saved the phonograph companies from the depression which radio broadcasting threatened to bring to this industry.	Victor Talking Machine Co. Colombia Phonograph Co.
Diesel Engine.	An invention that dates back before the war but has recently become of real commercial importance because of the extensive installation in ships and more recent adaption in Diesel-electric locomotives and buses.	Ingersoll-Rand, Worthington Pump and Machinery, American Locomotive, Baldwin Locomotive.
Television.	The "next step" in communication, but as yet limited to the experimental stage. Application of television for commercial use and "movie broadcasting" has wide potentialities.	Amer. Tel. & Tel., Radio Corp., Westinghouse Electric, General Electric.

vessels. In the sugar, glass and a number of other industries fuel oil had replaced coal. No high degree of intelligence was necessary to see that these were merely preliminaries to an expanding development.

At the same time, it was no secret that experimentation had been carried on, especially after 1918, in oil heating apparatus for use in homes. To all appearances neither coal mine owners nor miners perceived the imminence of trouble for the coal industry. Neither did they seem to see dangerous signs from another direction—that of the increasing activity of natural and artificial gas companies and steps taken by electrical companies in a huge program of development to supply power in remote as well as crowded sections of the country.

The sequel is briefly told. Everybody has had occasion to note the big building boom in recent years. But no one has seen any boom in coal. Both in the East where hard coal was used and in the West where soft coal was used for domestic purposes, many consumers turned to fuel oil, gas or electricity. A practicable way was found to instal oil burners in existing boilers. Prior to 1921 about 50,000 oil burners had been installed in American homes. From that time yearly installations greatly increased. By the beginning of 1928, according to reports made by manufacturers to the American Oil Burner Association, there had been 643,000 oil burners placed in as many houses. The majority of these have been installed in boilers formerly used for coal.

Domestic use of fuel oil is still in its infancy. At present, naval and merchant ships are the largest consumers. More than half of the world's present shipbuilding or 1,589,000 tons is composed of operation by fuel oil. The other 1,485,000 tons comprise steam and sailing vessels. The paramount consideration leading house owners to adopt fuel oil is that of its convenience. In ship operation the proved economies effected by fuel oil are the determining factor. About 3,300 tons or 20,940 barrels of oil will do the work of 5,500 tons of coal. In addition, the handling of the fuel requires only a quarter to a third of the men that coal does. In office buildings and factories there is a similar saving from fuel oil. Apartment houses can and many now do burn fuel oil. American railroads use about 70,000,000 barrels of fuel oil annually but in their case the saving is relatively small because one fireman is required to handle either coal or oil.

Refinery production of fuel oil increased from six and a half billion gallons in 1917 to more than fifteen billion gallons in 1926, and domestic consumption of fuel oil in the same period from nearly five and one half billion to fourteen and a half billion gallons. In the face of a growth of population amounting to 15,000,000 in that decade, anthracite coal shipments, according to figures supplied by the Anthracite Bureau of Information, decreased from 76,307,687 gross tons in 1918 to an estimated 63,500,000 gross tons in 1927. In a recent statement this bureau blandly explained that the drop in hard coal output had been due to "mild weather"; not a single admission was made as to fuel oil competition.

Radio Developments

Until a short time ago the telegraph and cable companies held unchallenged supremacy in their fields. Successive radio developments, and more recently the invention of the radio beam, introduced a rival transmission method which has been disturbing to the companies owning telegraph and cable lines. The radio beam system is one directing waves to their destination. Under the original radio system waves were scattered to all points. Coupled with the use of short-wave lengths and high-speed automatic transmitting apparatus, the radio beam assures more reliability and allows the sending of long messages uninterruptedly. By its utilization a greater volume of traffic can be handled in a given time. The Radio Corporation of America has been gradually

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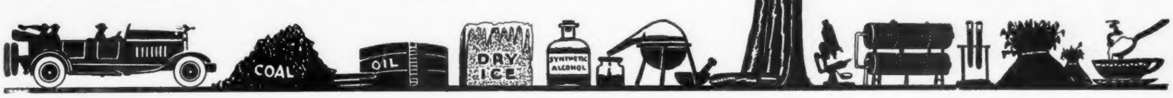

Recent Chemical Development and the Companies Affected

Development	Commercial Importance	*Companies Affected*
"Cracking" process of refining petroleum.	Enables the refiners to obtain a larger percentage of gasoline from crude oil than was possible under the distilling method. Product has "anti-knock" properties; is used in blends with natural and distilled gasoline.	Practically all the refining companies have installed cracking equipment which is responsible for greater refining efficiency in the industry.
Corn Sugar.	Product has about two-thirds "sweetness" of cane sugar; sale is limited at present to bakeries, candy manufacturers, etc. With change in food laws, sales would greatly increase.	Corn Products Co., Penick & Ford and other concerns operate the process under license.
Rayon. (Artificial Silk)	Substitute for natural silk and used extensively with wool and other mixtures. Consumption of rayon now exceeds 23,000,000 lbs.	Tubize Artificial Silk, American Viscos, Industrial Rayon Corp., Amer. Rayon Co.
Cellulose Lacquers.	Used extensively in painting and finishing automobile bodies; an outgrowth of extensive research in treatment of cellulose nitrates.	Du Pont de Nemours. Devoe & Raynolds.
Synthetic Alcohol.	Manufactured extensively in Germany and shipped to this country in recent years in competition with industrial alcohol.	U. S. Industrial Alcohol, Commercial Solvents, American Solvents, Union Carbon & Carbide
Carbon Dioxide Ice.	Due to non-drip property and saving in bulk and weight, is now used as refrigerant for foods, etc., in shipment.	Dry Ice Corp., American Ice and ultimately the electric refrigerating companies may be affected.
Synthetic Petroleum.	The conversion of coal into oils, suitable for gasoline, lubricants and fuel oils has made considerable progress in Germany, but will probably develop slowly in this country where crude oil and oil shales are available in tremendous quantity.	No immediate effect for domestic companies but ultimately coal companies should benefit from this development.

The Facts About Investing In Foreign Securities

Investing Abroad Under American Management

By BASIL C. WALKER

THIS valuable article discusses in detail the fundamental trends in our foreign financing. Americans do not realize, possibly, the great extent of our foreign investments. The latest effort to interest American investors in stocks of foreign companies is merely a logical development of events since the war. From the practical viewpoint, the article is suggestive as it describes some of the problems which the investor meets in considering foreign securities for investment.

FOR several years we have been hearing variations on the general theme that New York is the world's new financial center and that foreign countries are hungry for American capital. Yet, late in 1927, the officials of a certain foreign company registered a successful protest against having the stock of their company listed on the New York Stock Exchange. In effect, a European concern deliberately, even strenuously, rejected the advantages supposed to attach to having its stock actively traded in on our greatest security market. Among the other advantages usually considered as attaching to active trading on the "Big Board" is that of greater ease in securing new capital.

It might be inferred, therefore, that this rejection indicates that the world is not so desperately in need of American capital as we have been flattering ourselves is the case, or possibly we have been overrating our new found importance in the world of international finance. Neither of these inferences is entirely correct, although there may be a germ of truth in each of them.

Stringent Requirements Essential

To the view, advanced by some people, that this rejection indicates a lack of vision on the part of the authorities of the New York Stock Exchange in making as stringent requirements of foreign companies as they do of American companies whose stocks are listed on that exchange, is opposed the view of many authorities on foreign investment. These latter fully concur with the idea that the requirements to be met by foreign stocks seeking listing should be every bit as exacting as those met by American corporations. They point out certain hazards inherent in placing large amounts of American investors' money as minority interests in foreign corporations far from home control. Certainly it is hard to see why American investors should be expected to risk their capital in foreign enterprises under conditions less favorable to the protection of their legitimate interests than are available in leading American corporations.

But it takes at least two to make a bargain, so that if foreign corporations persist in regarding our requirements for listing their securities as too onerous, it may be somewhat difficult to induce them to take advantage of the trading facilities offered by the New York Stock Exchange. Although some disappointment has been expressed at the meagre results to date of the exchange's new policy in opening its lists to foreign securities, this does not appear as an adequate reason for hastily changing a policy which was adopted after very careful study and consideration.

The New York Stock Exchange has become a semi-public institution in our modern financial life and its governing powers have on previous occasions, especially in more recent times, shown that they fully appreciated this fact, so that there is no reason on the part of investors or others interested to fear any ill-considered change of policy on their part.

Growth of European Financial Centers

However, the situation revealed by the incident referred to has interest for us in that it is symptomatic of conditions to which we might direct our attention with profit. To understand these conditions fully, we must have a knowledge of the history of the growth of certain European financial centers and the development of their world-wide influence.

Cities like London, Amsterdam and Paris were great financial centers when we were, financially speaking, still in our infancy. During many years they had built up very strong and powerful financial organizations and through the medium of these organizations were financing numerous enterprises both in their own and in other countries. A considerable number of these enterprises have reached a very respectable stature of corporate financial strength and have acquired splendid records. They are well known in the various European financial centers and, under ordinary conditions, have no difficulty in securing all the capital they require in their home markets. Furthermore, although many of them bear an enviable record among their own investors, they are quite unknown to the great body of American investors, among whom they would simply be classed as another "foreign."

One by-product of this condition is that it would actually cost these companies more to raise capital in the United States, where they are not so well known, than it does at home. Naturally under such circumstances there is no great inducement for them to come to America to market their securities.

The Dilemma

On the other side of the bargain, our investment banking houses, being largely merchants of securities, naturally seek the very best available in Europe to offer to our investors, on the

natural assumption that it will be hard enough to sell any foreign company's stock, the better the company is, the easier it will be to sell its stock. Yet, as we have just seen, it is precisely to these good companies that the attraction of the American capital market is least appealing.

Apparently then, in pursuit of a natural desire to obtain for American investors the best class of foreign securities, our investment bankers have had to contend with the disappointing fact that the economic conditions prevalent abroad make our markets relatively unattractive for the companies issuing that class of securities. In other words, the opening of the lists of the New York Stock Exchange to the better class of foreign securities responds to a real need in this country of finding additional safe and profitable outlets for the investment of our surplus capital. But it does not arise from or meet any complementary need of American capital by the better class of foreign companies.

Several years ago might have been a better time to make the experiment of putting these foreign stocks on our security markets, for then Europe was in much more urgent need of capital which we supplied by our early foreign loans. In supplying this capital, we assumed the position of creditors rather than of proprietors, for while we bought huge quantities of bonds, we bought comparatively negligible amounts of foreign corporations' stocks.

Bonds Necessary First

Our financial leaders cannot be charged with short-sightedness or lack of vision in missing an opportunity in that situation, for, as a practical matter, the American investors who bought those first foreign bonds felt that they were taking considerable chances and that they were therefore entitled to a very high return from their bonds. The label "bond" was probably needed to start them buying foreign securities at all in any quantity, for it must be remembered that large foreign investment by the American investing public has barely completed one decade of its history.

Our position as world financial center has been rather thrown at us. While it is doubtful whether the common view abroad, that we owe it all to the War, is true, there is little doubt that our progress was very greatly accelerated by the War, just as in 1914 and 1915 the same cause brought thousands of our business houses and manufacturing companies into foreign trade very ill-prepared to handle it. It is here that we touch on what is, perhaps, one of the most potent factors which has influenced the direction of our growth and progress in foreign trade and finance.

What the older financial and trading nations of Europe gradually grew up to, we have largely acquired in the short space of scarcely fifteen years. Although this matter of our foreign trade is not always given the attention it deserves in discussing international finance, economic engineers know that one can no more get an accurate picture without giving full weight to the purely economic factors in the foreign financial situation than one can properly judge the efficiency of a new machine in a factory without giving consideration to the possible effect of the new machine on many other parts of the existing plant.

Now, a not uncommon plaint made by the industrial part of our people interested in foreign trade and finance is that by loaning huge sums to foreign countries and corporations we do at least two unwise things. One is that we build up the competitive power of our principal competitors in the world's markets; and the other is that we have missed a great opportunity by loaning rather than by buying stock, which latter method would have enabled us to dictate what should and should not be done with our money.

Theory and Practice

The first contention, that by our foreign loans we have built up the competitive power of foreigners competing against us in the world markets, thereby permitting American money to be used against American manufacturers, is one on which the pure economists and certain practical business men probably never will agree. In general economic theory, a country and all within it, tend to benefit from anything which increases that country's wealth and economic strength, such as building up a large foreign investment account, and also when a nation improves the strength even of its competitors in certain lines, it also tends to increase the buying power in other lines of the so-called competing nations. In actual practice and in adjustment to the facts of such a situation, there may be many qualifications of this theory that may apply to individual cases.

Crudely the idea may be illustrated in this way. We financed our part in the costs of the Great War in part by various issues of Victory and Liberty Loans. Theoretically, to the extent that the proceeds of those loans were used by our own Government and not in turn loaned to one of our Allies, the American people had loaned the amounts involved to themselves, through their Government. So far as the national economic balance sheet was concerned, the people were, therefore, not a dollar worse off or better off than previously, for the money that was eventually to pay these loans would have to be taken from themselves in the first instance as taxes and then returned to them in payment of principal and interest upon surrender of the bonds and their coupons. This being so, it might plausibly be argued that if the entire issue of Liberty and Victory Loans (except what was represented by loans to foreign powers) was cancelled, the American people would lose nothing.

Such a proposition would be utterly absurd in practice for the simple reason that not all citizens had shared alike in making the loans; some had invested millions and others nothing, yet the proposal of general cancellation would have amounted, in effect, to paying the loans off on a per capita basis, thereby causing tremendous losses to some, while in theory, at least, reducing the tax burden of others, who conceivably might lose nothing by reason of not owning any of the cancelled bonds.

Some Groups Benefit

In the same way, the general economic theory that everybody benefits by the prosperity of our foreign customers, while theoretically sound over a long term of years, is often very different in its application to existing situations. In short, it all depends on whose ox is being gored, the benefits to some groups being fairly obvious while to others actual loss may be apparent. The subject is too complicated and debatable to go into in any greater detail at this time, but some of its practical aspects will be referred to later on.

There remains the other objection,

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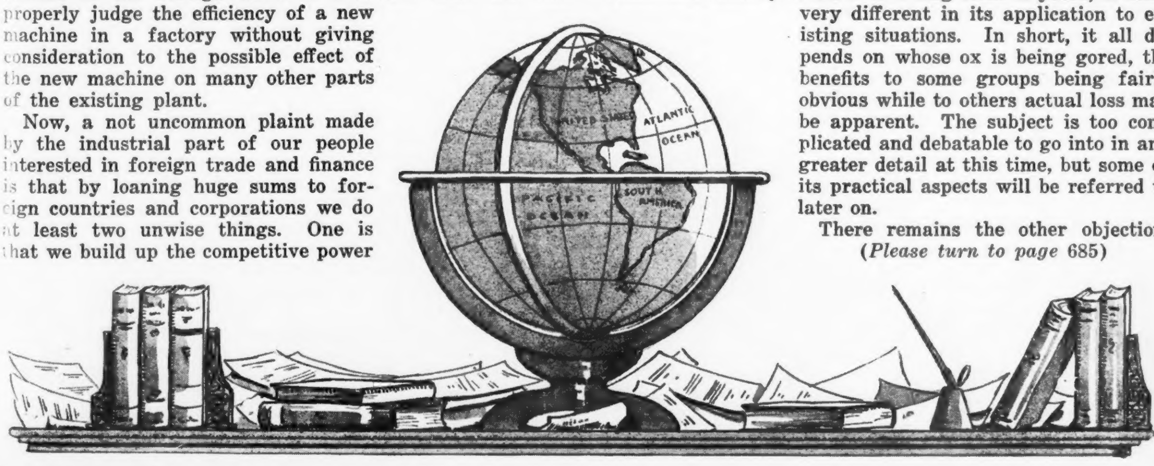


BONDS

Many Foreign Issues in Sight for Bond Market

Large Volume of New Capital Flotation Likely to Continue During First Half of Year

By N. F. SMITH

JANUARY bond financing confirms the prediction that a "flood" of foreign bond offerings will be witnessed during the first half of the current year.

Following a brief lull during the first few weeks of the year, the volume of foreign offerings in this market was resumed by the issuance of two European corporate issues and one South American government offering totaling over $85,000,000 in one week. This was followed by two more Italian issues aggregating $17,000,000 and a Greek Government bond of the same amount in the subsequent week. With the Italian lira stabilized on a gold currency basis, the State Department ban removed from French securities and a number of South American and European governments waiting an opportunity of refunding their high coupon issues on this market, a volume of close to half a billion dollars' worth of foreign bond financing is said to be in the offing.

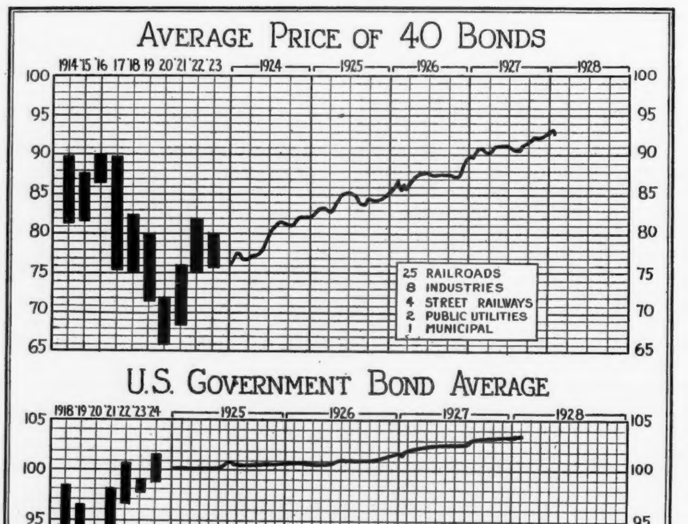
The first refunding of long term dollar bonds of German origin took place during January with the offering of the *Westphalia United Power* 6s of 1953, an issue of $20,000,000 which will replace 6½% bonds outstanding in this market. Another foreign refunding operation is the *City of Rio de Janeiro*, Brazil, which awarded an issue of $31,000,000 6½% bonds to a local syndicate. Prior to the public offering of this issue, the *Rio de Janeiro* 8% bonds sold at their call figure of 110, in anticipation that the higher coupon issue outstanding in the amount of $13,000,000 would be retired through the new financing.

A large oversubscription for the *"Terni" first mortgage* 6½s (an Italian utility company) following on the heels of a successful placement of a $20,000,000 6% issue of the *Italian Super Power Co.*, and a smaller Italian "mortgage bank" loan have been made more interesting to American investors with the return of the Italian currency to a gold basis, and are thought to be the forerunners of a large volume of financing from that country. The most important of these issues that are known to "be on the fire" at the present time is an Italian Railway loan which is said to be under negotiation by J. P. Morgan & Co., and will probably run into totals of around $50,000,000.

Some of the other foreign deals which are said to be under negotiation at this time for future offering in New York include a bond issue of the Gelsenkirchener Bergwerks, A. G., one of the leading coal and iron producers of Germany and one of the three companies which secured a $25,000,000 loan in this country about two years ago under the name of the Rheinelbe Union. Other offerings on the way originating in foreign countries include a $50,000,000 loan by the Republic of Cuba, and offerings in smaller units of the Colombian Government, the City of Valpariso and Nippon Electric. In addition to the refunding operations of the French Government, there are reported to be a considerable number of new capital flotations being negotiated with German and French industrial concerns. A $20,000,000 or $30,000,000 loan by the Czech Government is also reported as "under way" at this time.

Peculiarly enough, now that the State Department ban has been lifted against French Government and corporate financing in the United States, it is reported that the French authorities themselves are likely to frown upon any rush by their nationals to borrow funds in America unless the funds can be devoted to productive purposes. No direct supervision of the loans of its nationals has ever been attempted heretofore and it is not known in just what manner the restrictions might be placed. Possibly the plan employed by the Reichsbank last year of appealing to Federal Reserve officials to use their influence against unproductive loans might be employed.

When the ban against French loans was raised by the State Department it was announced at Washington that a total of forty loans had been listed with the department during the period that such financing was frowned upon by the Federal authorities. No information was advanced as to the aggregate amount of



loans that had thus accumulated in dollar values nor the types of financing represented among these forty loans. It is known, however, that some of the large French steamship companies will be in the market for new funds during the year as well as one or two of the French automobile manufacturers. Several French colonial issues are also said to be under negotiation, although it is feared that such financing would not be as popular in this country as in European financial centers where the investors are more familiar with the status of colonial issues. A guarantee by the Government would make such financing more marketable in the American investment market, it is pointed out, although the French are adverse to make any departures from their customary methods of borrowing.

Trend of Domestic Financing

In addition to the prospective foreign offerings, there is a good deal of domestic financing in the offing both for refunding as well as new capital issues. Some $125,000,000 of new financing by the St. Louis-San Francisco Railroad is likely to be issued during the early months of the year, and a $50,000,000 Penn Power & Light offering is being arranged by a local syndicate. During the current year an increasingly large percentage of the domestic bond offerings are likely to originate in the public utility field for refunding and further extension of the so-called "super-power" idea, as well as from the railroads, both for refunding, and in connection with consolidations or mergers that might be consummated during the year. It also appears likely that the trend toward lower real estate financing that was quite marked during 1927 will continue during the current year and perhaps longer.

Government Financing Aids Market

With the retirement of about $600,000,000 of the Third Liberty 4¼s through exchange for the Treasury 3½s during January, the Government has no more financing until March 15. The Treasury Department is naturally anxious to clean up the balance of the Third Liberty 4¼s which matures this year on the most favorable basis possible. There is still about 1½ billion of these bonds outstanding. Investment dealers have always found the market in good shape for new issues, while the Treasury Department is doing its major refunding operations. With this consideration before them and with a considerable volume of both domestic and foreign loans in sight at the moment, no material change in the volume of new financing is likely to be witnessed, at least during the first half of the current year. Dealers report that new offerings are still being easily absorbed and the market is not burdened by large amounts of unsold new securities. In spite of a momentary trend toward higher interest rates, the bond market continues to feel the pressure of surplus funds seeking employment.

Bond Buyers' Guide

Bonds for Income Primarily

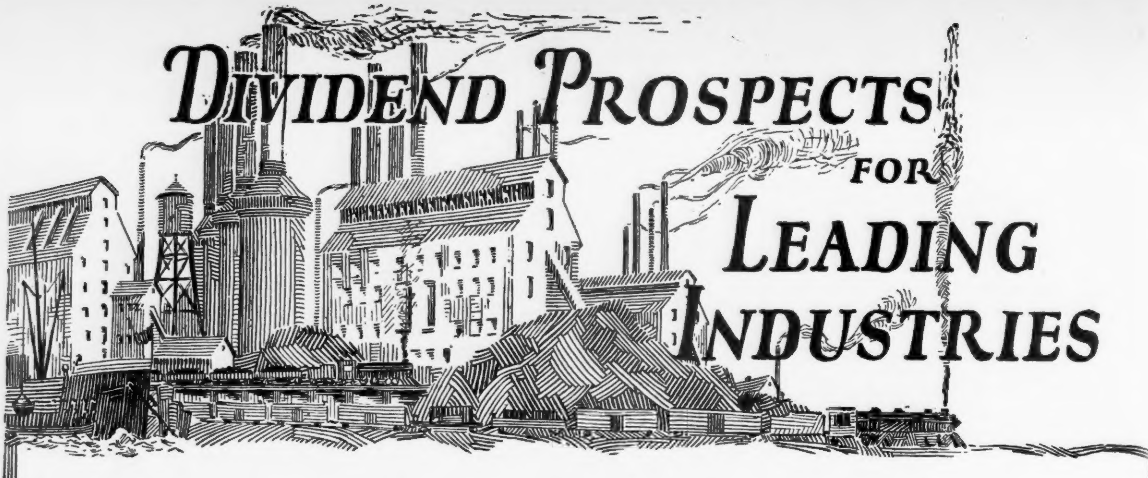
GOVERNMENT ISSUES	Prior Liens (Millions)	Times Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
Argentine 6s, 1959 ....(a)	....	....	....	100	6.00	6.00
Chile 6s, 1960 ....(a)	....	....	100	92⅝	6.46	6.53
Dominican Rep. 5½s, 1942..........(a)	6.4	....	101G	100⅜	5.48	5.49
Haiti 6s, 1952 ....(b)	....	....	100G	100	6.00	6.00
Panama 5½s, 1953 ....(a)	....	....	102½G	103⅛	5.33	5.27
RAILROAD ISSUES						
Cuba R. R. 1st 5s, 1952..................	....	3.80	....	99	5.05	5.07
Central of Georgia, Ref. 5½s, 1959.....	31.1	1.74	105G	108	5.09	5.00
Chicago & West. Ind. 1st Ref. 5½s, 1962	60.1	X	105	105¼	5.22	5.18
Erie & Jersey, 1st 6s, 1955...............	....	1.61	115	114⅛	5.25	5.05
Great Northern, Gen. "A" 7s, 1936..(b)	139.8	2.67	....	115⅛	6.07	4.81
Ken. City Sou., Ref. & Imp. 5s, '50....	30.0	2.07	105A	102¼	4.89	4.83
Minn., St. P. & Sault, 1st Con. 5s, 1938	....	1.19	....	99¾	5.01	5.03
Norfolk Southern, 1st 5s, 1961..........	3.8	1.21	105	96¾	5.17	5.21
Peoria & Pekin Un. Ry., 1st 5½s, 1974.	....	2.04	105G	107⅜	5.12	5.08
Rock Isl., Ark. & La., 1st 4½s, '34..(b)	....	1.53	105T	98⅜	4.56	4.73
St. Louis Southwestern, 1st Terminal & Unifying 5s, 1952....................	45.3	2.05	....	102½	4.88	4.83
PUBLIC UTILITIES						
Amer. W. W. & Elec., Coll. 5s, 1934.(b)	....	1.34	102¼	100⅛	4.98	4.97
Brooklyn City, 1st Con. 5s, 1941........	....	3.48	....	94¼	5.30	5.62
Hudson & Manh., 1st Ref. 5s, 1957..(b)	5.6	2.01	105	102	4.90	4.87
Indiana Nat. Gas, Ref. 5s. 1936.........	....	2.00	....	99¾	5.01	5.02
Louisv. Gas & El., 1st Ref. 5s, 1952.(b)	1.2	2.34	110T	104½	4.78	4.69
New Orleans Public Service, 1st Ref. 5s, 1952 ....(b)	10.5	1.70	105T	99½	5.02	5.04
N. Y. Steam Corp., 1st 6s, 1947.....(a)	....	2.05	107½GT	108⅜	5.54	5.32
Pacific Gas & Elec. Gen. & Ref. 5s, 1942	40.3	2.00	105T	103⅜	4.84	4.68
Public Service of N. J., Sec. 6s, 1944.(a)	....	2.75	107½T	107½	To be called	
Rochester Gas & El., "C" 5½s, 1948.(a)	12.5	2.08	105GA	107¼	5.13	4.93
INDUSTRIALS						
Bethlehem Steel, P. M., 5s, 1936........	5.1	2.20	105	102	4.90	4.74
International Paper, 1st 5s, 1947...........	....	7.26Y	102½	101⅞	4.91	4.85
Mortgage Bond, 5s, 1932............(b)	....	1.68	100	98⅛	5.09	5.53
Schulco "A" 6½s, 1946..............(a)	....	X	103T	104¼	6.24	6.11
Sinclair Pipe Line, 5s, 1942..........(a)	....	4.46	103	95¼	5.25	5.46
U. S. Rubber, 1st 5s, 1947...........(b)	2.6	2.91	105T	96	5.21	5.34

Bonds for Appreciation of Principal Primarily

RAILROADS	Prior Liens (Millions)	Times Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
Central New England, 1st 4s, 1961......	0.2	X	105	88½	4.53	4.69
Erie, Gen. Lien 4s, 1996.................	91.6	1.46	....	85¾	4.66	4.70
Mississippi Central, 1st 5s, 1949......(b)	....	1.36	110A	98⅞	5.03	5.04
Missouri Pacific, Gen. 4s, 1975......(a)	10.4	1.28	100A	82	4.88	5.02
New Haven, Non-conv. Deb. 4s, 1956...	49.4	1.48	....	87¼	4.58	4.82
Northern Ohio, 1st 5s, 1945.............	....	2.60	....	101⅜	4.94	4.88
Seaboard Air Line, Ref. 4s, 1959........	46.4	1.25	105A	71	5.63	6.06
Texarkana & Ft. Smith, 1st 5½s, 1950.	....	2.02	107½A	107	5.14	4.97
Western Maryland, 1st 4s, 1952......(b)	2.3	1.24	....	85½	4.68	5.03
PUBLIC UTILITIES						
Brooklyn-Manhattan Tr., 6s, 1968....(b)	....	1.52	105	97½	6.15	6.18
Market St. Ry., 1st 7s, 1940.........(a)	....	2.22	106½T	99⅞	7.01	7.02
Montreal Tram., 1st & Ref. 5s, 1941.(a)	....	1.31	105A	102⅛	4.89	4.78
Sierra & San Francisco, 1st 5s, 1949....	....	1.78	105	102½	4.88	4.81
Utah Power & Light, 1st 5s, 1944.......	....	1.97	110	101¾	4.91	4.83
INDUSTRIALS						
B. F. Keith, 1st & Gen. 6s, 1946........	4.8	4.16	104T	99½	6.03	6.04
Pressed Steel Car, Conv. 5s, 1933.......	....	3.30	100	99	5.05	5.23
Walworth Co., 1st "A" 6s, 1945.....(a)	....	2.73	104½T	96	6.25	6.38
Webster Mills, 6½s, 1933............(c)	....	2.44	106½T	96	6.77	7.34
American Chain, S. F. 6s, 1933......(a)	....	6.84	105	104¼	5.75	5.10
American Type Founders, 6s, 1940......	....	3.84	105	105	5.71	5.44
California Petroleum, Conv. 5s, 1939.(a)	....	11.56	103T	100⅝	4.96	4.93
Dodge Bros. Conv. 6s, 1940..........(a)	....	9.97	110T	90	6.67	7.23
White Sewing Machine, 6s, 1936.....(b)	....	5.60	105	†103¾	5.78	5.43
SHORT TERMS						
Cen. of Georgia Ry., Sec. 6s, June 1, '29	31.1	2.11	102T	101¾	5.90	4.78
Sloss-Sheffield P. M. 6s, Aug. 1, 1929...	1.7	4.55	105	102⅜	5.86	4.35

Note—All bonds in $1,000 denominations, except (a) lowest denomination $500, (b) $100. Earnings are on five-year basis unless shorter basis is only one available. Where bonds are assumed, earnings of guarantor company are given.

Y—Recent earnings about 2:16 times. A—Callable as a whole only. T—Callable at gradually lower prices. G—Not callable until 1930 or later. X—Guaranteed by proprietary companies. NS—Not segregated. (c) Listed on N. Y. Curb Market. † Without warrants.



Dividend Prospects for Leading Industries

Railroads and Public Utilities

Second Section of Ratings of Miscellaneous Leading Industries To Be Published in the Next Issue

THE Annual Dividend Forecast of THE MAGAZINE OF WALL STREET is published as a convenient reference work to be used by subscribers and readers during the months ahead. The feature should be of especial value at this time owing to the uncertainty surrounding the prospects for business and industry during the coming year. Competent observers are fairly well divided on the business outlook for 1928 which renders the problem of dividend forecasting more difficult than ever. However, through careful analysis of the specific conditions it has been found possible to come to a basis of conclusion regarding individual companies.

The results of our analysis indicates that generally speaking the outlook is that there will not be any great change in the dividend situation with respect to leading corporations this year. Several observations may be set down. It is found, for example, that the outlook does not favor any material increase in the dividend rates now being disbursed, except possibly in the case of such industries as have labored under acutely depressed conditions during the past few years and which, for special reasons, are likely to make rapid strides this year back toward normal earning power. Also, in the case of companies whose outlook does not encourage a belief in the possibility for expansion of earnings but which have been prosperous in the past few years, it seems likely that their presently strong financial condition, so typical of many large corporations, will stand them in good stead with respect to continuation of the dividend rates even if their earnings fall off. It seems difficult to come to the conclusion that any large number of important companies will either reduce or omit their dividends during the coming year.

In this issue, we present the first section of our Dividend Forecast, which is limited to the railroads and public utilities. In the forthcoming number, we shall publish our ratings of the miscellaneous companies such as steel, automobile, petroleum, metal, etc.

It seems desirable to emphasize the point that our ratings of dividend possibilities are intended to point out *possibilities* rather than *certainties*. Although statistical proof may be offered of dividend action that may be logically expected, there is always an element which can never be forecast in advance and that is the attitude of the management toward changes in the dividend rate. A company may be in a position to raise or lower the dividend, but such action, though inherently logical, may be postponed long after it might be expected in view of special circumstances that might arise and thus influence the management's viewpoint. In this dividend forecast, we have noted only the possibilities although such dividend action as presented should materialize.

The tables are designed therefore with an eye toward indicating dividend possibilities in the first place, and market possibilities in the second. These ratings are based on investment rather than speculative considerations, although the latter have been taken into account in special cases. Stocks marked (A) are considered attractive at current levels; stocks marked (B) are regarded as unattractive; stocks marked (C) are regarded as having discounted visible prospects, and stocks marked (D) are considered as having good long range possibilities though selling at levels which are high enough for the present.

Wherever the figures have been available, we have indicated the 1927 earnings, in other cases they have been estimated. Such estimates, of course, in the nature of things cannot be considered as exact figures and some allowance should be made for deviation from the figures to be ultimately published by the companies themselves.

Public Utilities in Strong Position

PUBLIC utility companies have long been noted for their consistent dividend records. Without a doubt, a less conservative attitude could have been adopted, although expansion has been so large that the small number of increases over the past few years is to some extent justified. However, the utilities supply a product which is a necessity and as a result earnings are well stabilized, with prospects of almost assured growth. Under these circumstances it seems that in many instances excessive stress has been laid on economical dividend distributions. There is nothing to indicate that any marked change will take place during 1928, although it is not an improbability that some companies will inaugurate a more generous policy.

The securities of the electric light, power and gas companies, while moving higher in consonance with the trend of industrials, were for the most part neglected during 1927. Recently more strength has developed and utility issues once again have assumed the active role which featured their advance in 1925 and 1926. There is little to explain the higher prices except that as a class public utility stocks are behind the market. It is not at all likely, however, that the upward movement is discounting any such development as a general change of heart on the part of companies with regard to larger dividend disbursements.

Another reason why in the past the junior issues

Position of Public Utility Common Stocks

Company	Earned Per Share 1926	Earned Per Share 1927 g	Price Range 1927 High	Price Range 1927 Low	Recent Price	Ann'l Div. Rate $ Per Share	Cash Yield %	% Earned in 1927 on Market Price	COMMENT
American & Foreign Power..	nil	$0.50	31	18	25	..	..	2.0	Further development in earnings necessary before dividend. (B)
American Power & Light ..	4.63	4.95	73	54	64	a1	1.5	7.7	Could easily pay more but no early change indicated. (A)
American Tel. & Tel........	11.95	11.50	185	149	179	9	5	6.4	Investment issue with dividend rate probably remaining as is. (A)
American Water Works......	5.47	3.00	72	46	58	b1	1.7	5.2	Present dividend policy probably not subject to early change. (D)
Brooklyn Edison	11.22	9.00	225	148	222	8	3.5	4.1	Rise in stock based on potential merger rather than new dividend prospect. (D)
Brooklyn Manhattan Transit	5.52	6.30	70	53	56	4	7.1	11.2	Political complications may prevent dividend increase otherwise possible. (B)
Brooklyn Union Gas	7.83	8.00	157	89	153	5	3.2	5.2	Further increase in regular rate a definite possibility. (D)
Columbia Gas & Electric....	6.92	6.50	98	82	92	5	5.4	7.1	Higher dividend should develop in time but probably not this year. (A)
Consolidated Gas	6.03	10.00	125	94	124	5	4	8.1	More liberal return partly contingent on 1928 financing plans. (D)
Detroit Edison	11.32	11.00	170	133	174	8	4.6	6.3	General policy is opposed to early dividend revision. (A)
Electric Power & Light.....	1.45	2.10	32	16	33	..	..	6.4	Earnings have reached point where moderate initial dividend may eventuate. (B)
Engineers Public Service....	f 4.48	5.00	39	21	35	..	..	14.3	Inauguration of dividends before close of year would not be surprising. (B)
Federal Light & Traction....	2.02	2.50	47	37	50	c1.40	1.6	2.0	Could increase proportion of cash payment to total if desired. (D)
Gen'l Gas & Electric "A"...	3.43	3.50	47	34	37	1.50	4.1	10.6	Earnings maintained but not such as to suggest dividend revision. (B)
Hudson & Manhattan	4.63	4.75	65	40	55	2.50	4.6	8.6	Long awaited dividend increase may eventuate this year. (A)
Interborough Rap. Transit..	....	4.20	52	30	32	..	..	7.6	Various complications prevent any consideration of dividends. (C)
International Tel. & Tel....	12.13	9.00	158	122	146	6	4.1	6.2	Expansion program entails maintenance of dividend at fixed rate. (A)
Laclede Gas	15.46	15.50	267	173	214	12	5.6	7.3	Dividend apparently not subject to further increase. (D)
Louisville Gas & Elec. "A".	4.43	4.60	30	23	28	1.75	6.7	16.4	May receive more through participating provision. (B)
Mackay	6.35	7.00	134	105	117	7	6	6.0	No indications of change in established div. policy. (D)
Manhattan Railway	....	2.33	54	42	42	5	11.9	5.5	Present basic rate payable only if earned is maximum expectation. (B)
Montana Power	6.59	7.00	109	81	160	5	3.1	4.4	In line for increased rate but such is not basis of current rise. (D)
National Power & Light....	1.75	1.90	26	19	24	1	4.2	7.9	Recent dividend increase all to be expected for present. (A)
North American	3.85	3.75	64	45	60	d10%	10	6.2	No change anticipated in policy of stock dividend exclusively. (A)
Omnibus	0.16	0.20	17	11	12	..	..	1.3	Dividend out of question under present status of earnings. (C)
Pacific Gas & Electric.......	2.54	2.90	50	31	47	2	4.3	6.2	Stockholders benefited by frequent stock offerings in lieu of dividend increase. (D)
Peoples Gas & Coke.........	11.04	11.50	168	1[illegible]6	180	8	4.5	6.4	No early revision in dividend policy indicated. (A)
Public Service of New Jersey	2.44	2.50	46	32	43	2	4.7	5.8	Exigencies of expansion militate against div. increase. (D)
Sou. California Edison	2.94	3.00	45	31	44	2	4.6	6.8	Stability rather than increase in dividend most likely prospect. (D)
Standard Gas & Electric ...	4.25	5.20	65	54	64	3.50	5.5	8.1	No dividend developments indicated in view of increase last year. (A)
Third Avenue	0.23	nil	41	28	32	..	..	..	No chance for dividend under compulsory 5-cent fare. (B)
Twin City Rapid Transit....	5.58	4.00	65	45	49	4	8.2	8.2	Earnings barely sufficient to cover present rate. (B)
Utilities Power & Light "A"	5.58	3.00	34	27	29	2	6.9	10.0	Higher rate through participation unlikely for present. (D)
Western Union	15.24	15.40	176	144	172	8	4.7	9.00	Increased rate possible at discretion of directors. (A)

a Plus extras. b Plus 1/20 share in stock. c Partly stock. d In stock. e 12 months to June 30, 1927. f 12 months to April 30, 1927. g Estimated. A—Attractive. B—Long range speculative attraction. C—Unattractive. D—High enough for present.

of the public utility concerns have not benefited by improved conditions has been the prevalence of senior financing for expansion. It takes time for new facilities to reach full capacity, and as a result, while fixed charges have increased, net revenues have not shown a proportionate gain. All of this limits the immediate possibilities of more substantial returns to stockholders. Attempts being made to simplify capital structure should prove successful in the long run. This is an important step which sooner or later will find reflection in a more liberal dividend rate for companies adhering to this tendency.

In the past several years a great deal has been done with regard to consolidation work. A large number of small companies were absorbed into bigger systems, and the economies derived from this practice have aided in bringing about corresponding increases in earnings. The outlook for further consolidations is equally bright during 1928. But in many cases expansion plans are so large that comparatively few increases in dividends are likely.

Talk of an investigation of the entire public utility situation in Congress has acted as a sort of damper in the buying of utility securities. But this should not necessarily mean that the examination will prove disastrous. Besides it would take so long to arrive at a convincing summation of conditions that it is doubtful whether such a move will ever be undertaken. An injurious factor relating to dividends would be an unfavorable development in connection with rate structures. Here, too, the bugaboo has been done away with by reason of propitious decisions handed down twice by the Supreme Court about a year ago.

The outlook for the public utility industry in 1928 indicates that further strides will be made toward greater consumption. An excellent physical and financial position makes possible continued stabilization of earnings. Gas companies are particularly well favored. Unseasonable weather conditions in 1927 retarded somewhat the consumption of natural and manufactured gas but many improvements were in the meantime effected. There will be probably greater output of both natural and manufactured gas this year, and the trend of consumption appears to be definitely upwards. Consequently earnings of gas companies are expected to show gratifying gains. Natural gas producers are in a strong position to benefit by improved marketing conditions. It is this section of the public utility industry where dividend increases are most likely to occur.

Railroad Earnings Down But Improvement Expected

IN all probability dividend policies of the railroads for the most part during 1928 will continue unchanged. Returns to stockholders have been established on what, in view of the generally lower trend of earnings in the past year, seems a fair rate. The attitude of companies with regard to disbursements will naturally be determined by financial conditions. In spite of the fact that 1927 witnessed a decline from the record activity in 1926, a comparatively large number of roads increased their payments, the majority in the form of extras and several were placed on a higher straight basis. This indicates that no apprehension is felt wtih regard to the future. And it is this apparent liberal tendency which holds forth promises that some favorable developments will take place in the new year unless there is a decided reversal of the business trend affecting railroad income.

Taken as a whole railroad stocks, in comparison with industrials, showed relatively small price appreciation during 1927. Nevertheless there was an irregular gain and prices of rail securities at the end of last year showed an average gain of about 20% in market value. It is a recognized characteristic that when earnings fall off stocks feel the adverse effects of selling pressure. Of course there are many instances where smaller earnings are utterly ignored marketwise, and stocks move up instead of down. But this is exceptional rather than a general rule. However, the action of the rails illustrates a case in point. Stability in the face of declining profits can be traced to two sources. The investing public is more and more recognizing the true merit of railroad shares, with the result that a steady flow of investment funds is constantly available for the purchase of sound dividend-paying rails. A prevailing low rate for money is the other important factor which has contributed in no small part to the strength of railroad securities.

Although traffic and earnings were considerably under the 1926 level, the decline in itself is not surprising when the small volume of freight shipped by the steel, automobile and coal industries is taken into consideration. In some sections of the country, notably the northwest and southeast, freight movement was very satisfactory; but as a whole the traffic situation in the closing months was marked by continued recessions. While car loadings in the first few months will not approach the totals reached in the corresponding period last year, earnings should be higher for the whole year. With more favorable conditions in the various major industries, improvement will undoubtedly be reflected in substantial shipments and the carriers should benefit proportionately. Operating economies will continue to play an important part in connection with outlays for equipment and other expenses, although more liberal expenditures appear likely.

The Interstate Commerce Commission continues to frown on consolidation of the merger roads, although it favors the absorption of short lines by larger railroads. This the big roads are unwilling to do inasmuch as it involves a certain amount of

risk because of the unstable earning power of these smaller systems. There is no consolidation policy in Congress so that little aid can be counted on from this source in the unification of important roads.

In sum, the railroads are fundamentally in a sound position but earnings must be higher in order to countenance larger dividend disbursements. The outlook seems to favor payment of extras rather than the establishing of a larger rate, although a number of companies are situated well enough to assume a less conservative attitude.

Position of Railroad Common Stocks

Railroad	Earned Per Share 1926	Earned Per Share b 1927	Price Range 1927 High	Price Range 1927 Low	Recent Price	Div.	% Yield on Regular Div.	% Earned in 1927 on Market Price	COMMENT
Atchison	$23.42	$19.50	200	161	194	a10	5.2	10.0	No change in dividend policy likely for present. (A)
Atlantic Coast Line	24.43	12.50	205	174	185	a10	5.5	6.8	With more normal earnings can pay more but not for present. (A)
Baltimore & Ohio	17.20	10.50	125	106	116	6	5.2	9.1	Dividend scheduled for increase to $7 basis sooner or later. (A)
Bangor & Aroostook	8.69	8.50	103	44	81	3.50	4.4	10.5	No change in rate likely until earnings become better stabilized. (D)
Canadian Pacific	14.35	13.00	219	165	208	10	4.9	6.3	Long standing present dividend appears to be a fixture. (A)
Central of New Jersey	15.92	20.00	348	285	303	a12	4.1	6.6	Probably to maintain usual regular and extra payments. (B)
Chesapeake & Ohio	24.75	23.50	218	151	201	10	5	11.7	May well increase return in conjunction with sale of new stock. (A)
Chic. & Eastern Illinois	nil	nil	51	30	41	..	..	..	Further improvement necessary before div. is possible. (B)
Chicago Great Western	nil	nil	22	8½	12	..	..	..	Prior obligations render common div. very remote. (C)
Chic. Mil. & St. Paul	nil	nil	19	9	18	..	..	..	Dividend cannot be considered for long time to come. (B)
Chic. & Northwestern	6.92	6.00	97	78	85	4	4.7	7.1	Increase to $5 a possibility for 1928.
Chic. R. I. & Pacific	10.67	12.00	116	68	110	5	4.6	10.9	Increase to $6 or $7 in near future pretty well indicated. (B)
Colorado & Southern	13.45	9.20	137	84	110	3	2.7	8.4	Nominal dividend may be increased but not a real factor in situation. (D)
Delaware & Hudson	18.16	8.50	230	171	180	9	5	4.7	No likelihood of change in div. policy for present. (A)
Delaware, Lack. & Western	10.61	9.00	173	130	134	a7	5.2	8.6	Paying all it comfortably can at this time. (D)
Erie	6.72	0.63	69	39	62	..	..	1.0	Outlook good for preferred rather than common div. (B)
Great Northern (Pfd.)	10.42	9.50	103	79	96	5	5.2	9.9	Should pay more eventually but not necessarily in 1928. (A)
Gulf, Mobile & Nor.	5.77	9.00	76	35	56	..	..	17.0	Arrears on preferred preclude early payment on common. (B)
Illinois Central	12.10	9.00	139	121	140	7	5.0	6.8	Indirect benefits through rights more likely than dividend increase. (A)
Kansas City Southern	4.83	4.50	70	41	61	..	..	7.4	Dividend action probably to await results of merger plans. (D)
Lehigh Valley	8.27	4.50	137	88	95	3.50	3.7	4.7	May be able to resume extra dividend this year. (A)
Louisville & Nashville	16.62	14.00	159	128	150	7	4.7	9.3	Some possibilities in way of extra payments. (A)
Mo.-Kansas-Texas	5.33	3.50	56	31	39	..	..	9.0	Hardly in position to inaugurate dividends as yet. (B)
Missouri Pacific	6.09	1.00	62	37	51	..	..	2.0	Common dividend contingent on ability to work out recapitalization. (B)
New York Central	14.52	13.00	171	137	161	8	5	8.1	Recent increase all to be expected for present. (D)
N. Y. N. H. & Hartford	5.25	6.00	63	41	65	..	..	10.8	Fair chance for dividend this year after long lapse. (B)
N. Y. Chic. & St. Louis	20.12	13.50	135	110	136	6	4.4	10.1	Some distribution over regular rate not unlikely. (A)
N. Y. Ontario & Western	1.33	nil	41	23	29	..	..	..	Moderate dividend at close of year wholly dependent on earnings. (C)
Norfolk & Western	25.76	21.25	202	156	187	a10	5.5	11.4	In position to pay liberal extras from time to time. (A)
Northern Pacific	8.47	7.50	102	78	96	5	5.2	7.8	Long range rather than early prospect of dividend increase. (A)
Pennsylvania	6.78	6.75	68	56	65	3.50	5.4	11.4	Will probably be slow to increase rate although apparently warranted. (A)
Pere Marquette	14.48	13.30	140	114	127	a8	6.4	10.5	One or more extras during 1928 seem indicated. (B)
Pitts. & W. Virginia	10.62	6.00	174	122	140	6	4.3	4.3	Dividend increase unlikely. Price predicated on other factors. (D)
Reading	11.24	7.50	123	94	102	4	3.9	7.3	Policy highly conservative but moderate extra may be resumed. (A)
St. Louis-San Francisco	14.12	10.00	117	100	113	a8	7.1	8.9	Hardly in position for any further div. increase. (D)
St. Louis Southwestern	8.63	5.50	93	61	77	..	..	7.1	Long pending dividend may be further delayed by subnormal earnings. (B)
Seaboard Airline	6.00	nil	41	28	27	..	..	..	Dividend far removed under most favorable conditions. (C)
Southern Pacific	10.42	10.25	126	106	122	6	5.1	8.4	Long awaited increase in rate to $7 may develop this year. (A)
Southern Railway	17.21	14.00	149	119	144	8	5.6	9.7	Maximum dividend expectations probably fulfilled for time being. (D)
Texas & Pacific	7.08	7.50	103	53	119	..	..	6.3	In position to inaugurate dividends at any time. (D)
Union Pacific	16.65	15.75	197	159	190	10	5.3	8.3	No revision in dividend policy now indicated. (A)
Wabash	6.95	1.75	81	40	66	..	..	2.7	Termination of recent litigation clears way for dividends. (D)
Western Maryland	3.27	3.25	67	13	47	..	..	6.9	A merger rather than a dividend prospect. (C)
Western Pacific	1.73	nil	47	25	36	..	..	..	Rehabilitation program stands in way of dividend for some time to come. (B)
Wheeling & Lake Erie	6.11	2.75	130	27	72	..	..	4.0	No chance for dividend. Contest for control primary factor in affairs. (C)

a Partly extra. b Estimated. A—Attractive. B—Long range speculative attraction. C—Unattractive. D—High enough for present.

Reading R. R. Co.

Reading's Strong Position

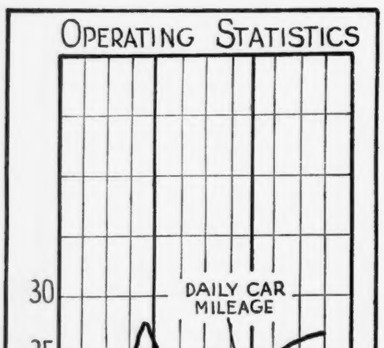
Stock Has Attractive Possibilities—Sound Management Policies—Well Balanced Capital Structure—Merger Possibilities

By MAX HALPERN

Reading R. R.

Year	Gross	Operating Exp.	Available for Fixed Charges	Fixed Charges	Net Income
1922	$81,934,750	$62,055,321	$13,775,563	$8,623,093	$7,896,552
1923	104,948,370	76,735,655	22,836,477	8,727,077	16,908,864
1924	92,088,258	70,306,556	23,636,516	8,515,200	15,121,316
1925	91,496,379	68,633,515	25,574,952	8,415,333	17,159,618
1926	99,290,135	73,508,750	26,865,551	8,338,429	18,531,121

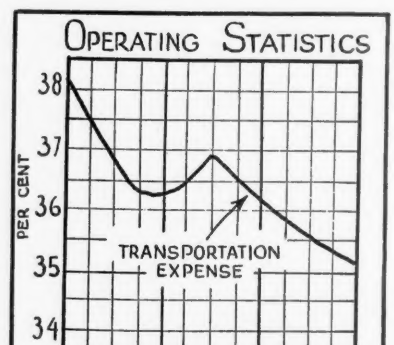
THERE is no railroad system that is so strategically situated as regards consolidation aspects in the eastern trunk line territory, as the Reading. The road is also very strong in treasury assets and its earning power in the past few years has been satisfactory. Recognition of its important position has found reflection in the fact that the property is jointly controlled by the New York Central and the Baltimore & Ohio systems, through ownership of substantial amounts of its outstanding stock.

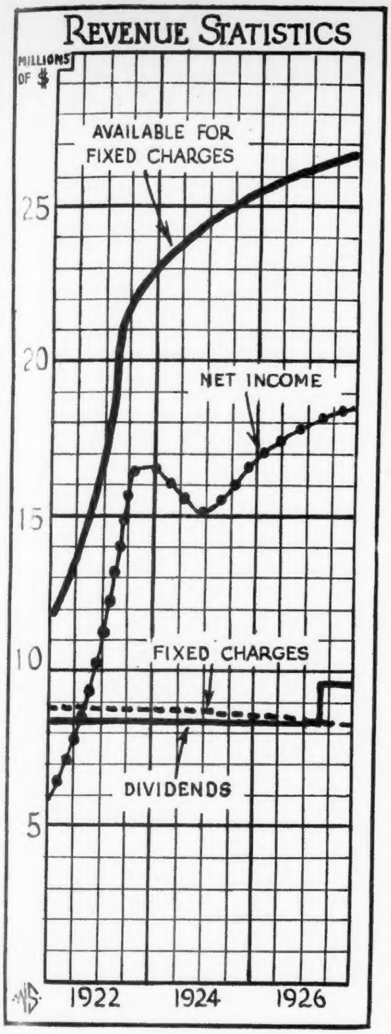


Many years ago, the Pennsylvania Railroad also exerted considerable influence in the affairs of Reading, in recognition of its value but this interest was not maintained permanently. The attitude of the Reading management, however, has been in favor of the road maintaining its independent status because it receives substantial tonnage from connecting lines and because of its favorable traffic interchange agreements with these carriers. Testifying before the Interstate Commerce Commission, President Dice of Reading supported this contention by stating that this business was developed as a result of Reading's policy of maintaining the open door at its terminals for all of its connections. Subsequent discussion of these traffic relations with other railroads should no doubt reveal the important position of Reading, not only as regards mergers, but also, though local in character, because of its rank as one of the great transportation systems of the country.

Territory Served

The Reading System, in its most general aspects, may be said to resemble a large terminal property. It was originally projected to carry coal from the anthracite coal basins in Schuylkill County to the tidewater at Philadelphia. It traverses the state of Pennsylvania extensively, although some mileage is located in Delaware and New Jersey. One of its lines runs northwest from Philadelphia to Reading and continues from the latter city in a southwesterly direction through Lebanon, Harrisburg and Shippensburg, Pennsylvania, terminating at the last named





city. Another line runs northeast from Philadelphia and enters New Jersey at Trenton and continues to Bound Brook, where connection is made with its subsidiary, the Central Railroad of New Jersey, giving it access to New York harbor.

The Port Reading Railroad also leaves Bound Brook for Port Reading, where it has extensive docking and terminal facilities. Its numerous branch lines reach the anthracite coal fields in northern Pennsylvania, and also such important manufacturing centers as Allentown and Bethlehem.

Another line from Reading continues to Williamsport, forming a loop at East Mahony Junction, which ends at West Milton, Pennsylvania. From Williamsport a line continues to Newberry Junction, where it terminates. A line running southeast from Philadelphia reaches Atlantic City. The Reading traverses a very important mining, manufacturing and agricultural territory. At the close of 1926, the company operated 1,138 miles of road, with substantial amounts of second track and in addition, third and fourth track and sidings.

Although primarily recognized as a carrier of anthracite coal, Reading's bituminous tonnage exceeds the former. A substantial amount of soft coal is received from the Baltimore & Ohio Railroad, which leaves the lines of the latter at Cherry Run, West Virginia, and thence moves over the Western Maryland lines to Shippensburg, Pennsylvania, where it is turned over to the Reading for points in Pennsylvania, New York and New England.

As the greatest traffic density on the Baltimore & Ohio occurs between Cumberland and Baltimore, Maryland, the rerouting of traffic between these two points greatly reduces the congestion of this line. The Baltimore & Ohio also uses the Reading and Central Railroad of New Jersey trackage in order to gain access to New York harbor. In some instances western shippers find it advantageous to route freight shipments for New York City and contiguous points via Reading and the Central Railroad of New Jersey. This traffic moves eastward on the New York Central Lines across Pennsylvania, arriving at Newberry Junction over the Beech Creek Railroad. The latter is leased by the New York Central.

Other east bound traffic originating in western Pennsylvania also moves over this line to Newberry Junction where connection is made with the Catawissa Railroad. The latter is leased by Reading and runs to Tamanend, Pennsylvania, where connection is made with the Central Railroad of New Jersey over the lines of which the eastern tidewater is reached. This route affords a saving of about 110 miles and is a much shorter line from Chicago, Cleveland and other western points to New York City than that of the Pennsylvania Railroad or the line of the New York Central via Albany. That the Reading occupies a most important position in the eastern merger situation seems quite apparent from the foregoing.

Although but 35.9% of the traffic carried by Reading originated on its own lines, it transported a total of 70,757,621 tons in 1926, an increase of 40% since 1922. Nothwithstanding the fact that the average distance per ton hauled is small, averaging approximately 102 miles, the traffic density is very heavy. In 1926, a total of over 7,210,961,324 ton-miles was reported. Traffic density was 6,350,000 ton-miles per mile of road as against 4,500,000 in 1922, an increase of about 41%.

Products of the mines was the largest item carried and comprised 64.6% of the total tonnage transported in 1926. Careful analysis of this item reflects a decreasing proportion of anthracite tonnage carried. This is not due to declining shipments of the latter, which amounted to 18.5% in 1926, but because of the steadily increasing volume of bituminous coal and manufactures transported. Soft coal shipments were 35.1% of the total tonnage. Manufactures accounted for 26.3% and reflected the greatest increase of any group of commodities since 1922. Actual tonnage of this item increased 45.5% since 1922, whereas products of the mines and total tonnage reflected gains of 44.3% and 40% respectively.

The gain in manufactures is most noteworthy indicating as it does a steadily increasing volume of more profitable traffic. The other items transported are not of very great importance. Products of agriculture amounted to 2.64% and forest products totaled 2.6%. Animal products and less carload lots were 0.91% and 2.91% respectively.

Gross Revenues

Gross revenues reflect an upward though irregular tendency since 1922. Conditions in the coal industry still exert some influence, although not as great as in former years. Prior to 1897, anthracite constituted nearly one-half of the entire tonnage of the company and any suspensions of mining in the anthracite region resulted disastrously to its revenues. With the diversified traffic now enjoyed, the dependence upon any one class of traffic

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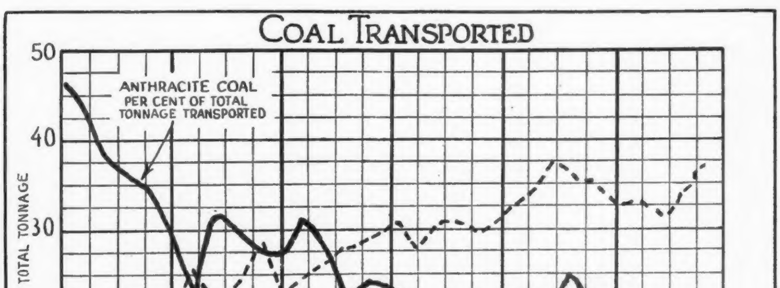


Freeport Texas Company | *Texas Gulf Sulphur Company* | *Sun Oil Company*

Will Sulphur Shares Sell Still Higher?

Success and Prosperity of Leading Companies Tends to Attract New Capital, but Time Must Elapse Before New Deposits Come Into Production—The Leading Issues Compared

By FERDINAND OTTER

LAST month, when it was announced that Sun Oil would develop a new sulphur dome in Texas, that company's stock advanced some eight points in two days. When it is remembered that the combined market appraisal of Freeport Texas and Texas Gulf Sulphur increased from 90 million dollars to over 270 million dollars in less than two years, that the valuation of the shares of Texas Gulf has advanced from 20½ million in 1921 to nearly 200 million, and that the capitalization of Freeport Texas, lately quoted at 76 million, was selling at less than 6 million as recently as 1925, the magic qualities of the word sulphur in the stock market are explained.

Sulphur is not a rare element, being found in quantities over large areas of the world's surface, yet, about three-quarters of the world's commercial supply is controlled at present by two Texas corporations. Freeport Texas and Texas Gulf Sulphur. The financial success of these two companies, which has been mirrored in the stock market, naturally is stimulating the development of other sources of supply, while the two leading companies, anxious to maintain their semi-monopoly in the trade, have been obtaining, by purchase or by lease, some of the larger prospective producing domes. Several years ago, Freeport Texas leased the Hoskins Dome from The Texas Company, and recently Texas Gulf has obtained control of a number of domes formerly owned by Roxana Petroleum (Shell Union Oil) and Gulf Oil Corporation.

Oil drilling in West Texas during the past few years has established the existence of sulphur in semi-commercial quantities over vast areas. One of the most troublesome problems of the oil companies developing the West Texas fields is the sulphur content of crude oil, a quality which presents some rather difficult technical obstacles to refiners and sometimes mars the otherwise smooth operation of pipe lines. Naturally, some of the bigger oil companies with properties in West Texas are trying to find a way to make sulphur an asset instead of a liability.

A Few Generalizations

Any analysis of the sulphur stocks, therefore, must begin by recognizing the threat of increasing competition in the industry. At present, Freeport Texas and Texas Gulf Sulphur have everything their own way. They make world prices, produce about 75% of the world's sulphur, and are hampered by very little outside competition. Unless all signs fail, the two leading companies are assured of at least a year or two more of sulphur market conditions similar to those now obtaining. No large deposits controlled by other companies are likely to come into production on a large scale for nearly two years. In the meantime, many of the deposits now being developed by other capitalists may come under the wing of one or the other company.

On the other hand, the present situation obviously is too good to last. Sooner or later, there is bound to be more competition. This threat of competi-

Freeport Texas Company

Years end Nov. 30	Earned Per Share	Dividends
1922	Deficit	None
1923	$1.06	None
1924	Deficit	None
1925	1.03	None
1926	2.48	None
1927	7.00 e	$4.25

e Estimated.

Texas Gulf Sulphur

	Net Earnings	Per Share Basis Present Capital Earnings	Per Share Basis Present Capital Dividends
1920	$3,327,031	$1.31	None
1921	1,949,375	.77	0.12½
1922	3,853,163	1.52	1.25
1923	4,737,020	1.86	1.56
1924	4,814,017	1.89	1.87
1925	5,689,242	2.28	2.09
1926	9,383,813	3.69	3.00
1927	12,099,375	4.76	4.00

Sun Oil Company

	Sales	Per Share Earnings	Dividends (Present Stock)
1923	$33,893,738	$1.61 a	$0.66⅔ a
1924	39,536,837	2.21 a	0.66⅔ a
1925	48.697,403	3.48 b	0.83⅓ c
1926	50,797,799	2.86 b	1.00 d
1927	Not available	0.52 e	1.00 f

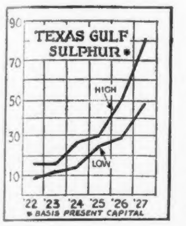
a Old stock (each share equal to 3 shares present stock) translated to basis present no par value shares. b On basis no par value shares. c Also paid 3% in stock, cash payments being reckoned on basis no par shares. d Also paid 6% in stock. e First six months only. f Also paid 3% in stock.

tion, although it is still remote rather than immediate, gives the shares of the two leading sulphur companies a speculative tinge which they otherwise would not have.

Competition, of course, would involve a larger production; and a larger production quite probably would mean lower prices. Lower prices would mean a lower margin of profit, and smaller per share earnings. Such favorable things as are said about the leading companies in this analysis, therefore, must be regarded as favorable for the short pull. At this time, at least, one cannot pretend to look more than a year or two ahead. The reader always should keep in mind that the success of Freeport Texas and Texas Gulf and the discovery of additional domes in Texas tend to attract more capital into sulphur, and that the cost of producing sulphur by the Frasch process (introduction of steam into the deposit *in situ*) is a great deal lower than the prevailing market price of the chemical. It would be profitable to develop additional sulphur domes of the larger and more economically minded type even if the price of the commodity should decline 40% or 50%. Under such conditions both Freeport Texas and Texas Gulf probably could make money, but certainly could not make as much money as at present.

For the next year or two, conditions similar to those now enjoyed are likely to prevail. Freeport Texas and Texas Gulf probably will be able to maintain or increase their earnings, and unquestionably will endeavor to acquire additional sulphur reserves—properties which might develop into important competitors. Dividends should continue satisfactory, and sulphur shares, although perhaps they may be more sensitive, probably will continue in speculative favor.

By way of introduction, it should be pointed out that at present Texas Gulf is a larger and lower cost producer than Freeport Texas, but that Freeport Texas is increasing output and reducing costs more rapidly than the larger company and has a much more moderate capitalization. Sun Oil Company is not producing any sulphur at present, but is developing a new dome which eventually should produce an annual amount somewhat smaller than the current output of either of the old concerns. Analyses of these three companies follow.



IN 1927, Texas Gulf Sulphur Company sold about 1,200,000 tons of sulphur, operating at a profit of $12,099,375, equal to $4.76 a share on the 2,540,000 shares of capital stock on which quarterly dividends at the annual rate of $4 a share are being paid. This would indicate a profit of about $10 a ton, and production costs of between $8 and $9 a ton; but actually Texas Gulf's sulphur probably is not costing much more than $7 a ton. The company is adding constantly to its 2,000,000 ton sulphur stock pile at Matagorda, and is understood to be making liberal depreciation deductions from earnings. The Matagorda deposit has been all but ideal in character for economical mining by the Frasch process, and production costs from the beginning have been exceedingly low.

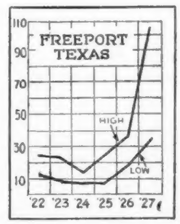
The balance sheet at the end of 1927 shows current assets at 14.5 million against 1.1 million current liabilities. The sulphur stock pile, however, is not adequately reflected in inventories of 8.6 million. At current prices it has a market value of not far from 40 million dollars. Including the sulphur pile, the net working capital of Texas Gulf Sulphur probably is around 45 million dollars.

Since the beginning of operations in 1919 the company has extracted about 8,000,000 tons from the property, earning around 46 million dollars of which roughly 33 million dollars has been paid out to stockholders in cash dividends. Due to the acquisition of additional domes and the proving up of more sulphur in the original property, the company's unmined reserves now are believed to be larger than at any time since incorporation.

Exact estimates of unmined sulphur reserves are not practical. Sulphur "ore" is not stoped out and proved up like copper ore, but mined "blind" from the top of the ground through steam holes, or wells. It is tested by diamond drills as to depth, quality and area; but such tests at best are approximations. According to the best information available, although as much sulphur already has been taken from the Matagorda property as it originally was estimated to contain, there still are many millions of tons of recoverable sulphur left in the original deposit. In addition, Texas Gulf has acquired the Clemons Dome from Roxana Petroleum; has established the productiveness of this Brazoria County (Texas) property through 11 drill holes; and has obtained the Boling Dome, Long Point Dome and other deposits from Gulf Oil Corporation. The Boling Dome, in particular, is regarded as having unusual possibilities. This structure is estimated to contain a minimum of 6,000,000 tons of recoverable sulphur, and engineers expect that costs there will be practically as low as costs at the Matagorda deposit. In all probability these supplementary deposits will be developed and equipped from current operating profits as needed. Their development, however, may result in fewer extra dividends on the company's stock during the period in which expenditures are being made. There is a strong possibility, also, that Texas Gulf from time to time will acquire other domes, partly to increase its reserves and partly to protect itself against competition.

The capitalization of Texas Gulf Sulphur Company, since the four for one split up of the old $10 par shares in 1926, has been fairly liberal. On the basis of 1927 operations, each share of stock is entitled to the profit realized on less than half a ton of sulphur. An increase of $1 a ton in the price of sulphur, therefore, adds but 50 cents a share to the earning power of the stock, assuming costs are constant.

The stock at 76 *recently has been selling at about* 15 *times per share earnings in* 1927, *to yield* 5.3%. *In spite of the company's fine record, it hardly can be regarded as a bargain at present market levels though on a sizeable reaction it would be attractive.*



ALTHOUGH it is impossible to make statistical comparisons with any degree of accuracy, it is generally recognized that Freeport Texas Company controls underground sulphur reserves larger than those controlled by Texas Gulf Sulphur Company. The Hoskins Mound, which it is operating under royalty lease from the Texas Company (Freeport receiving 30% of net profits against 70% of net profits for the Texas Company) is understood to contain 20,000,000 tons of sulphur of which 15,000,000 tons is believed to be recoverable; the Bryan Mound, directly owned, is thought to contain nearly as much; and the Big Hill Dome, now only partially explored and not yet operating, is known to be a large deposit.

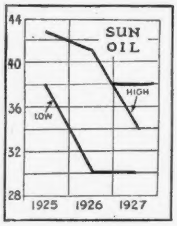
Since the successful "mudding-up" of the Bryan Mound, which for years presented a difficult operating problem because of the peculiar porous ground formation, and since the Hoskins Mound came into large scale production, earnings have been increasing rapidly. In the year just closed, net profits were not far from $7 a share compared with $2.48 a share in 1926, $1.03 a share in 1925 and a deficit in 1924. Recently there have been unconfirmed rumors that earnings have been running at the rate of $1 a share per month, or $12 a share per annum. The regular dividend rate on the 729,844 shares of capital stock which constitute the company's only capitalization is $4 per annum, but an extra dividend of 25 cents a share was paid in August, an extra of 50 cents was paid in November and an extra dividend of 75 cents was paid on February 1, 1928. It is understood that the directors intend to continue to pay dividends, regulars and extras, at the rate of $7 a share or better through 1928.

In 1927, production is understood to have been more than 900,000 tons and current output is said to be close to

1,000,000 tons per annum. Last year's profits apparently were between $5.50 and $6 a ton, but during the latter part of the year costs were much lower than in the earlier months, and current profits, even after deducting The Texas Company's share in the profits of the output of the Hoskins Mound, may be close to $8 per ton. Freeport has made remarkable progress in reducing costs, and apparently still is meeting with success in this direction. Of course, it must be remembered that The Texas Company will get 70% of the net profits from the Hoskins Mound this year against only 50% last year, for the cost of the Hoskins surface plant now has been repaid to Freeport out of earnings; and this may result in a little less rapid increase in per share net. The larger royalty to The Texas Company, however, apparently is being made up, for the most part, by a larger output and lower costs.

At the end of May current assets were 8.1 million against 1.4 million current liabilities. The company's sulphur stock pile, while a large one and not fully reflected in inventories of 3.7 million, is not as large as that of Texas Gulf Sulphur.

In judging Freeport Texas stock, it is important to remember that although the company's production now is 1,000,000 tons a year or more against 1,200,000 tons for Texas Gulf, it has but 729,844 shares issued against 2,540,000 shares of Texas Gulf stock. It is capitalized at 1⅜ tons per share against less than half a ton per share for Texas Gulf. The unmined sulphur back of each share evidently is at least four times as large in the case of Freeport as in the case of Texas Gulf, if current estimates are anything like accurate. Considering the stock on a $7 basis, it yields almost 7% against 5.3% for Texas Gulf, and on the basis of earnings of $10 a share (to be conservative) it is selling at about ten times per share earnings against about fifteen times per share earnings for Texas Gulf. Moreover, the likelihood of a further increase in Freeport's earnings is greater than the likelihood of a large further increase in the earning power of Texas Gulf. *It is easy to conclude, therefore, that Freeport Texas is a more conservative and attractive purchase at current prices than Texas Gulf.*

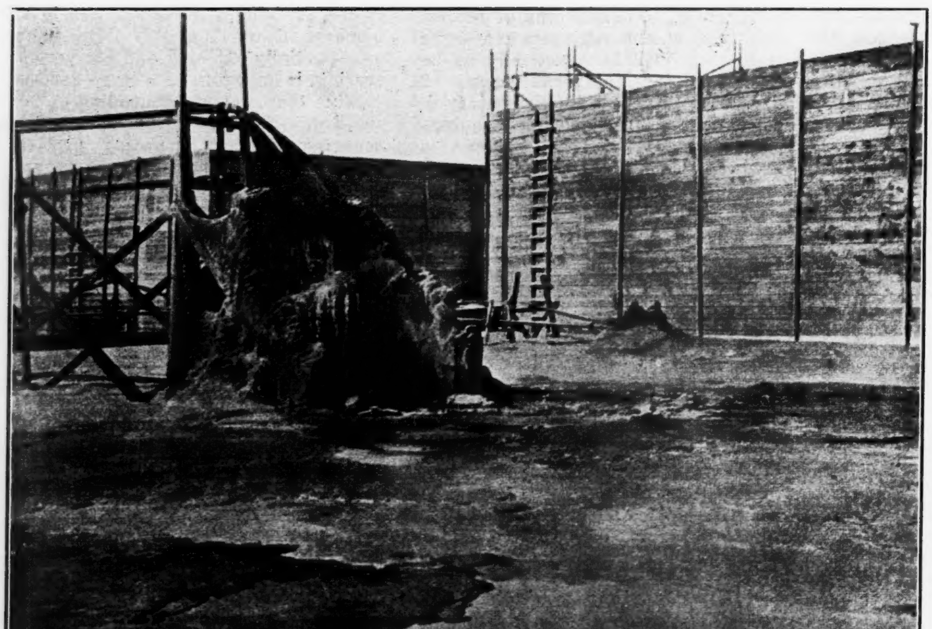


THE Sun Oil Company, according to the financial press, has definitely decided to enter the sulphur producing business in order to develop three tracts aggregating 325 acres on the Boling Dome in Wharton County, Texas. The company has proved up 80 acres of sulphur bearing formation estimated to contain between 6,000,000 and 10,000,000 tons, and has placed Benjamin Andrews, formerly of Freeport Texas, in charge of the project. At one point the sulphur deposit is said to be 124 feet thick and to be of 80% sulphur content. Of course it will take a year or more to put the property on a producing basis, and it may be two years or more before any substantial earnings from sulphur are available for distribution to the company's stockholders as dividends; but Sun Oil henceforth can be regarded as having a substantial risk in the sulphur industry, and the company's common share capitalization (1,171,485 shares) is less than half as large as that of Texas Gulf.

Since the company's shares have sold above the current price of around 37 on the basis of the corporation's worth as a complete unit in the oil industry, all aside from its sulphur possibilities, the stock at the prevailing level presents an opportunity to speculate in sulphur with the risk element limited. Even as an oil proposition, "ex sulphur possibilities," it probably is worth all it is selling for.

Sun Oil is one of the older producing, refining and distributing oil companies, controlling a production of around 20,000 barrels a day, owning a refining capacity of about 35,000 barrels a day, utilizing a distributing system capable of taking care of refinery output, and owning 50% of the capital stock of Beacon Sun Company, a South American developing company controlling some 1,000,000 acres of concessions. It earned between $1 and $2 a share last year in spite of poor conditions in the petroleum industry and the stock is paying regular quarterly dividends at the annual rate of $1 a share. Last year an extra dividend of 3% in stock was paid in addition to the regular cash distributions. Financial resources may be large enough to develop the Boling Dome properties without the issue of additional securities. Recent oil field developments have resulted in bringing in new wells of importance.

From a speculative standpoint there seems to be a good deal more to gain than to lose from buying Sun Oil common stock at this time. From an analytical standpoint, the sulphur possibilities are appraised at a low figure.



Sulphur being pumped into a big bin at one of the Texas fields.

By the Frasch process Sulphur comes from the ground in liquid form.

© *Ewing Galloway*

THE FACTS ABOUT INVESTING IN FOREIGN SECURITIES

(Continued from page 673)

namely that by loaning we surrender the control of our money and that it can be, and for that matter has been, used against some American concerns in foreign trade. Here again, as we have already seen, we run on another practical counter-objection. Like any other business man, the investment banker is in business primarily to make money. If he can also further the general good of the country, so much the better, but he is a business man and not a crusader or a missionary.

Supplying the Demand If his customers want bonds and do not want stocks, he is certainly going to try and get them bonds. Every manufacturer in the country knows the tremendous sales resistance encountered in selling customers something for which there is no existing demand. True, the demand can be created, but it is usually a colossally expensive task. The investment banker, on the whole, has been well pleased to get his customers educated up to the point where they will buy foreign bonds in large quantities, even though they still want them considerably cheaper than the equivalent grade of domestic securities. If he is now considering putting foreign stocks before them, it is because he has already educated them to buy some foreign securities and also because the supply of good foreign bonds at attractively high yields has become definitely limited. This is the natural result of Europe's great money centers returning to a more normal condition, which permits them to supply their own needs, without paying exorbitant rates.

"But," our business men counter, "look at Great Britain, Germany and the Netherlands and other European countries. They invest heavily in the stocks of businesses outside their own borders, in fact they invest so heavily that they control many such companies. As a result, it is a well known fact that in certain quarters abroad an American firm is wasting its time trying to get business in competition with British, German and other European firms. If these old and experienced

(Please turn to page 721)

Preferred Stock Guide

Reid Ice Cream 7% preferred has been removed from the Preferred Stock Guide inasmuch as this issue has been called for redemption at 110 as of March 1, 1928.

Preferred Stock Guide

THESE stocks are selected as offering best opportunities in their respective classes taking into consideration assets, earnings and financial condition of the companies represented.

For Income
HIGH GRADE INVESTMENTS

RAILROADS	Div. Rate $ per Share	Div. Times Earned— 5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	Low	Recent Price	Yield %
Baltimore & Ohio	4 (N)	7.8	No	83	55	82	4.9
Chicago & North Western	7 (N)	6.2	No	150	97	148	4.7
Colorado & Southern 1st	4 (N)	8.9	100	78	47	76	5.3
N. Y., Chicago & St. Louis	6 (C)	F3.7	110	110	83	110	5.5
Pere Marquette Prior	5 (C)	10.2	100	99	67	99	5.1
PUBLIC UTILITIES							
Columbia Gas & Electric	6 (C)	S4.6	110	X110	X98	108	5.6
Hudson & Manhattan R. R. Conv.	5 (N)	5.9	No	90	43	88	5.7
North American	3 (C)	7.3	55	55	42	54	5.6
Philadelphia Company	3 (C)	6.5	No	53	41	53	5.7
Public Service New Jersey	8 (C)	3.0	No	135	95	135	5.9
INDUSTRIALS							
American Smelting & Ref.	7 (C)	3.3	No	133	93	134	5.2
American Steel Foundries	7 (C)	7.4	110	115	97	114	6.1
Associated Dry Goods 1st	6 (C)	4.8	No	112	82	112	5.4
Baldwin Locomotive	7 (C)	3.3	125	125	105	120	5.8
Brown Shoe	7 (C)	4.4	120	123	84	120	5.8
Endicott Johnson	7 (C)	4.9	125	125	105	122	5.7
General Motors	7 (C)	12.0	125	125	79	124	5.6
Inland Steel Co.	7 (C)	F8.0	115	118	96	116	6.0
International Silver	7 (C)	2.8	No	128	92	131	5.3
Studebaker Corp.	7 (C)	26.8	125	125	100	124	5.6

For Income and Profits
SOUND INVESTMENTS

RAILROADS	Div. Rate $ per Share	Div. Times Earned— 5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	Low	Recent Price	Yield %
Colorado & Southern 2nd	4 (N)	7.0	100	75	35	74	5.4
Kansas City Southern	4 (N)	4.8	No	73	48	73	5.5
St. Louis-San Francisco	6 (N)	12.0	100	104	33	100	6.0
St. Louis Southwestern	5 (N)	2.6	No	94	54	94	5.3
PUBLIC UTILITIES							
Brooklyn-Manhattan Transit	6 (C)	H3.3	100	89	34	87	6.9
Continental Gas & Elec.	8 (C)	T4.0	110	H110	H94	111	7.2
Electric Power & Light	7 (C)	1.7	110	109	89	107	6.5
Engineers Public Service	7 (C)	S2.4	110	X108	X92	108	6.5
Federal Light & Traction	6 (C)	5.0	110	F100	F74	104	5.8
Kansas City Pr. & Lt.	7 (C)	T3.1	115	116	91	116	6.0
West Penn Electric	7 (C)	....	115	X110	X88	111	6.3
Standard Gas & Elec.	4 (C)	2.5	No	66	46	67	6.0
INDUSTRIALS							
American Cyanamid	6 (C)	3.6	120	98	55	96	6.3
American Metal Co., Ltd.	7 (C)	8.0	110	120	106	117	6.0
American Sugar Refining	7 (C)	1.6	No	116	77	110	6.4
Associated Dry Goods 2nd	7 (C)	6.9	No	114	84	119	5.9
Bethlehem Steel Corp.	7 (C)	3.1	No	120	87	121	5.7
Bush Terminal Buildings	7 (C)	1.1	120	120	91	117	6.0
Central Alloy Steel	7 (C)	....	110	H109	H106	110	6.4
Cuban American Sugar	7 (C)	6.9	No	107	92	109	6.4
Deere & Co.	7 (C)	F1.7	No	125	70	116	6.0
Devoe & Raynolds 1st	7 (C)	T6.1	115	113	90	113	6.2
Genl. American Tank Car	7 (C)	3.3	110	112	86	110	6.4
Gimbel Brothers		4.2	115	114	91	96	7.3
Goodrich (B. F.) Co.	7 (C)	3.1	125	111	67	111	6.3
Pillsbury Flour Mills	6½ (C)	....	110	‡109	‡104	113	5.7
U. S. Cast Iron Pipe	7 (N)	5.0	No	125	64	117	6.0
U. S. Industrial Alcohol	7 (C)	4.3	125	121	95	118	5.9

SEMI-SPECULATIVE

RAILROADS	Div. Rate $ per Share	Div. Times Earned— 5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	Low	Recent Price	Yield %
Gulf, Mobile & Northern	6 (C)	1.6	No	112	44	107	5.6
Wabash "A"	5 (N)	....	110	101	23	93	5.4
INDUSTRIALS							
Bush Terminal Debentures	7 (C)	T1.8	115	H111	80	109	6.4
Consolidated Cigar	7 (C)	4.4	110	107	60	99	7.1
Goodyear Tire & Rubber new	7 (C)	....	....	‡98	‡92	99	7.1
International Paper	7 (C)	1.6	115	H112	H86	108	6.5
Mid-Continent Petroleum	7 (C)	8.1	120	109	80	105	6.7
Orpheum Circuit Conv.	8 (C)	3.0	110	108	84	100	8.0
Radio Corp. of America	3.5 (C)	F3.6	55	57	40	55	6.3
U. S. Smelt., Ref. & Mng.	3.5 (C)	1.2	No	53	38	53	6.6
Universal Pictures 1st	8 (C)	7.6	110	H103	H90	98	8.2
Victor Talking Machine Prior	7 (C)	S5.4	115	‡102	‡96	102	6.9

† Cumulative up to 5%. F—Four years. H—Three years. T—Two years. S—One year. X—Price range 1926. § 1923-1927. C—Cumulative. N—Non-cumulative. ‡ 1927.

United Biscuit
Reo Motor Car

Kroger Grocery

Nat'l Radiator
McCall

Newcomers to the New York Stock Exchange

Five New Issues Analyzed

IN accordance with the practice of THE MAGAZINE OF WALL STREET, we are herewith presenting in brief form the essential characteristics of five companies whose shares have been recently listed on the New York Stock Exchange. With the exception of McCall with which our readers are familiar through the Over-the-Counter Department of the Magazine, these issues are more or less unfamiliar to the investing public. In future issues, we hope to publish more detailed analyses of these companies.

UNITED BISCUIT CO. OF AMERICA
Price, 40
Div., $1.60
Yield, 4%

ALTHOUGH United Biscuit is of very recent origin, the nine subsidiary enterprises date back from sixteen to sixty-six years. The company under review was organized last November as a holding corporation to acquire, and did so acquire directly or through subsidiaries, the capital stocks of eight concerns operating in non-competitive territories in the Middle West. The former United Biscuit Co. formed the nucleus for the present merger which includes a ninth unit, the Chicago Carton Co. The latter supplies the biscuit manufacturing units with cartons, a function that it should be able to perform to advantage through reduction in package costs.

By virtue of this consolidation, United Biscuit is one of the three leading companies in its industry. Output of the constituent units comprises a complete line of bulk and package biscuits, crackers, cookies and certain varieties of cakes. These products are distributed by a force of several hundred salesman and through grocery, delicatessen and like retail channels in a wide area between the Allegheny and Rocky mountains.

Capitalization consists of 4 millions of 6% debentures, maturing in 1942, 20,000 shares of $100 par value convertible 7% preferred stock and 323,000 shares of no par value common stock. The convertible preferred may be exchanged, at option of the holder, in the ratio of one share for two and one-half shares of common stock and is callable at 110.

Combined gross profits of the several companies forming the present organization have shown much the same secular growth that characterizes specialty baking companies, being 4.35 millions for 1924, 4.99 millions in 1926 and 5.35 millions last year. In terms of the parent company's capitalization, net available for the common stock for these years was equivalent to $1.65, $2.46 and $2.68 a share, respectively. Inasmuch as biscuit makers are not so much affected by fluctuating raw material costs as bread bakers and since inventory turnover is very high, this branch of the baking business is quite stable and enjoys a record of practically uninterrupted expansion. It may reasonably be assumed, accordingly, that United Biscuit will give a good account of itself, particularly in view of the economies that should result from centralized management.

Hence the common stock would appear to have merit as a commitment to be held in anticipation of gradually increasing earnings, where the holder is willing to forego a fair immediate income return and recognizes the fact that the shares have yet to become thoroughly seasoned marketwise. *As an immediate speculative possibility, however, their attractiveness is limited both by this lack of seasoning and by the fact that last year's indicated earnings at the rate of 6.6% on the current market price suggest the stock is partly discounting its long range prospects.*

REO MOTOR CAR CO.
Price, 24
Div., $0.80
Yield, 3.3%

REO is one of the outstanding successes in the motor industry. Starting with a paid in cash capital of less than $250,000 in 1904, and under substantially the same management that it has today, the company has grown into a 36 million dollar enterprise. With exception of a $937,250 transaction involving acquisition of Reo Motor Truck, and the original capital referred to, expansion has been carried out wholly by the aid of earnings.

Capital set-up is of the simplest, consisting solely of $10 par value common stock of which there are now 2 million shares outstanding. The amount of stock issue has been brought to this total from an original capitalization of $500,000 (including $100,000 of preferred stock redeemed in 1906) by virtue of frequent stock dividend payments. Thus, out of 52.32 million dollars net profits earned since organization, to the close of its fiscal year last August, Reo Motor paid out 23.78 million dollars in cash dividends and reinvested 28.54 million dollars in its business, of which latter amount 18.56 millions has been capitalized by virtue of the stock dividends referred to.

The company manufactures all of the principal parts used in its output except bodies and has two plants at Lansing, Michigan. Its products, comprise a complete line of popular priced passenger automobiles sold under the distinguishing names, "Flying Cloud" and "Wolverine," and the medium priced "Speed Wagon" truck. These models are distributed through 166 direct factory branches and distributors and over 1,200 retail dealers.

While output has increased almost uninterruptedly, rising from 864 units in 1905 to 40,740 in 1927, growth has been somewhat more pronounced in more recent years. The conservative capitalization has permitted liberal treatment of shareholders and enabled the company to pass through more than two decades of varying business conditions without a single unprofitable year to mar its record.

At the close of August, 1927, Reo reported net working capital at 19.16 millions, after completion of an extensive expansion and improvement program involving an expenditure of 3 million dollars. Sales in 1927 reached a new high but net income per share reflected keener competition, being $2.04 against $2.14 in the 1926 fiscal period.

As indicated by past performance, the company has established itself securely in the automobile industry and should maintain its place in the current year, notwithstanding prospects of even sharper competition among leading producers. The market value of the stock reflects this situation and expectations that extra dividends will continue to be paid from time to time. *Its attractiveness is, therefore, limited at present and it might best be consid-*

ered for new commitments only in the event of a general setback in the motor group.

KROGER GROCERY & BAKING CO.
Price, 79
Div., *$1
Yield, 1.2%
**Plus* 5% *stock*

IN point of growth from a very humble beginning, this company's record is merely another demonstration of the popularity and effectiveness of the chain store idea. The business was founded by B. H. Kroger with one store in 1883, and until 1902 operated under the name of the Great Western Tea Co. In that year, the company had 40 stores doing an annual gross business of 1.75 million dollars as contrasted with 3,764 stores operated in 1927 and sales of 161.29 millions. The company thus ranks as the third largest chain in point of sales volume, though it holds second place from the standpoint of number of grocery stores included in its system.

These stores transact a general mercantile business at wholesale and retail. They are unique in this respect, namely, that the company operates its own packing house and a sausage making plant to supply the meat department of the chain. Institution of this department, as well as the chain store plan of setting up wholly owned bread baking, cake and cracker manufacturing establishments, was original with Kroger.

Expansion has been accomplished primarily through the addition of new units, but existing chain systems have been absorbed on occasion. As at present constituted, the company's stores are found in the states of Ohio, Kentucky, Illinois, Missouri, Michigan, Indiana, West Virginia and Pennsylvania.

The 1.05 million shares of no par value common stock presently outstanding are preceded by 814 shares of first and 653 shares of second preferred stock, both of $100 par value. Net profits available for the junior stock, in terms of present capitalization, were $3.92 a share in 1926, compared with $2.09 in 1923, while for 1927, the company reported a balance of $4.12 a share available for the common.

Cash dividends at the rate of $1 a share are being paid on this issue, in addition to which a stock dividend of 5% was recently declared. Prior to listing, the company split its common stock two for one. Dividends on the old common were paid at the rate of $2 a share in cash and 10% in stock.

On the basis of the present $1 cash dividend only, the shares afford the very nominal return of 1.2%, but if allowance be made for the 5% stock dividend, at current market prices, the stock yields 6.2%. This may be considered an attractive return for a chain store issue, provided the policy of retaining cash for expansion and paying extra dividends in stock from time to time is continued. *Nevertheless, like the majority of chain store issues, the chief appeal in the shares lies in their possibilities for continued expansion over the long term.*

NATIONAL RADIATOR CORPORATION
Price, 37
Div., $3
Yield, 8.1%

THIS company is considered the world's second largest maker of steam and hot water heating equipment. It achieved this position by virtue of the consolidation, in 1927, of six companies, namely, National Radiator Co., Niagara Radiator & Boiler Co., Continental Heater Corp., Utica Heater Co., Gurney Heater Manufacturing Co. and Union Radiator Co. At the time the present company was organized, it had ten plants, four in Pennsylvania, three in New York and one each in Massachusetts, New Jersey and Illinois. Very recently, the warm air furnace plant and equipment at Utica, N. Y., was sold to Richardson & Boynton and the manufacture of Utica boilers transferred to other plants. Warehouses and branch offices are maintained in leading cities of the east and middle west, enabling the company to attain country-wide distribution of its products which are designed to meet the heating requirements of every character of building, including residences, office buildings, hotels, apartment houses and so on.

Consolidated earnings of the six predecessor companies have shown consistent growth over the past few years, in conformity with the experience of other well managed concerns in this field. Thus, net profits, after all charges, rose from 1.44 million dollars in 1923 to 2.33 millions in 1926. Translated into terms of the present company's capitalization, these profits are equivalent to $3.81 and $7.07 a share respectively for the 270,000 shares of no par value common stock now outstanding.

Funded debt consists of 12 millions 6½% debentures. This issue is followed by 60,000 shares of no par value 7% cumulative preferred stock, which is convertible into common stock at the rate of one share of preferred for two shares of common.

The company seems conservatively capitalized, as indicated by the high earnings available for the junior shares, and enjoys a comfortable working capital position. As of June 30, 1927, current assets totaled 10.57 million dollars compared with 1.67 millions of current liabilities.

Net profits in the first half of 1927 were equivalent to $3.28 a share for the preferred stock, compared with a balance of $0.81 a share for the common in the corresponding period of 1926. In considering these figures, however, allowance must be made for the fact that the business is seasonal and heaviest earnings accrue in the latter half of the year. Normally, two-thirds of the radiator and boiler sales and a still larger percentage of income is attained in the second six months.

Dividends on the common stock were inaugurated at the rate of $3 per annum last October. *This payment seems well protected and in view of the very liberal yield available, which may be attributed to lack of seasoning, the common appears to have good speculative possibilities.*

McCALL CORP.
Price, 59
Div., $2
Yield, 3.4%

THIS company is one of the outstanding examples of what management may do for a business. In its earlier days, McCall was deservedly an unknown entity in the security world, since the organization was not handled with especial vigor. Consequently,

(*Please turn to page* 732)

Comparison of Five Newly Listed Stocks

	Admitted to List	Bonded Debt	Preferred Stock	Common Stock	Earned on Common, 1926	Price Range, Common, Since Listing High	Low
Kroger Grocery & Baking......	1-26-28	none	814 shs 1st 653 shs 2nd	1,050,423 shs	$3.92	80	77
McCall Corp.	1-26-28	none	none	239,994 shs	3.73	61	58
National Radiator	11-10-27	12,000,000	60,000 shs	270,000 shs	7.07	40	36
Reo Motor Car..................	12-14-27	none	none	2,000,000 shs	2.12	26	22
United Biscuit	12-29-27	4,000,000	20,000 shs	323,000 shs	2.68	42	38

Remington Arms Co., Inc.

The Re-making of a "War Bride"

Interesting Possibilities in Over-the-Counter Stocks of Former Munitions Manufacturer

By NORRIS M. COULTING

THOUGH Remington Arms may trace its ancestry backward through more than a century of industrial life—the business was founded in 1816—it seems something of an unknown entity in the security markets. This is indicated by the comparatively high yield of the company's senior issues, the 6% bonds and 5½% notes, listed respectively upon the New York Stock Exchange and the New York Curb.

An Over-the-Counter Issue

The junior securities, preferred and common stocks, are dealt in over-the-counter and have been previously commented upon in our Over-the-Counter Department. They are worthy of more extended analysis, however, in view of the marked changes that have occurred in Remington Arms' status during the past two years or so.

Like most of the companies that were called upon to expand their manufacturing facilities to promote successful participation of the United States in the World War, Remington Arms faced the difficult problem of readjustment when hostilities ended. It had a heavy investment in plants and machinery, too valuable to scrap, and still too greatly in excess of peace time requirements to be profitably re-employed in the original business of producing firearms and ammunition.

Accordingly, after a span of irregular earnings, the company was reorganized. The present Remington Arms Co. was formed in 1920 as successor to the Remington Arms-Union Metallic Cartridge Co., acquiring the entire business of the latter, together with the U. M. C. cartridge plant at Bridgeport, Conn., and the Ilion Arms Works at Ilion, N. Y. It likewise took over properties at Brimsdown, England, which are now owned by a subsidiary and which furnish a convenient base for export trade with the British Colonies and Europe, an important and growing factor in the company's activities.

About this time, the company embarked upon the manufacture of cutlery, attaining, within a few years, a position in this field analagous to its importance in the older firearms and ammunition lines. That is to say, Remington is now considered one of the country's leading cutlery makers, just as it is reputed to be the world's largest producer of ammunition for other than military purposes and the largest manufacturer in the United States of firearms and ammunition combined, accounting for approximately one-third the country's total output in this respect.

Adverse Influences

Subsequently, to accomplish a further diversification of activities and strengthen its position, the company undertook the manufacture of cash registers. Its venture into this line brought about litigation, involving patent rights, which militated against the establishment of earning power in that division for a time. Meanwhile, the ammunition business was adversely affected by an unsettled market and high material costs. Operating expenses were also increased by outlays attending the development of the cash register business so that operating deficits of $301,328 and $716,605 were shown in 1924 and 1925.

The ensuing year, however, witnessed a notable turn for the better, partly as the result of efforts to stabilize ammunition prices, and to a considerable extent also by virtue of internal reorganizations designed to reduce production costs, increase efficiency and expand production of cash registers in conformity with increasing sales. Thus, a net profit of 1.41 million dollars was shown in 1926, exclusive of 1.95 millions non-recurring income.

This latter item represents royalty payments received from the National Cash Register Co. in amicable settlement of the cash register litigation. By termination of this controversy, Remington Arms established its rights under the "Gubelmann" patents and, accordingly, now receives royalties under licenses granted to many leading

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date

	Bid	Asked
Aeolian Co., pfd. (7)	90	95
Aeolian Weber	30	35
Aeolian Weber, pfd. (7B)	85	90
Alpha Port. Cement (3)	36	40
Pfd. (7)	115	...
American Book Co. (7)	160	165
American Cigar (8)	140	146
Pfd. (6)	102	...
Amer. Dist. Teleg. (4)	105	111
Conv. Pfd. (7)	112	115
Amer. Meter Co. (5)	114	119
Atlas Port. Cement (2P)	42	44
Pfd. (2.66)	43	...
Babcock & Wilcox (7)	123	126
Barnhart Bros. & Spindler:		
1st Pfd. (7) G	106	109
2nd Pfd. (7) G	105	108
Bliss (E. W.) Co. (1)	18½	19
1st Pfd. (4)	59	65
Cl. B Pfd. (0.60)	10	11½
Bohack (H. C.) Co. (10)	270	...
1st Pfd. (7)	109	...
Central Aguirre (6)	134	135
Congoleum Co. Pfd. (7)	105	...
Continental G. & E. (4.4)	220	...
Part Pfd. (8)	107½	108½
Prior Pfd. (7)	110½	111½
Fajardo Sugar (10)	155	157
Franklin Rwy. Sup. (4)	62	67
Giant Port. Cement	35	45
Pfd. (3.5)	40	45
Helme, Geo. W. (4)	112½	114½
Pfd. (7)	128	...
Hercules Powder (8)	191	198
Pfd. (7)	119	121
Knox Hat (5)	195	210
Pr. Pfd. (7)	105	109
Lehigh Port. Cement (new)	71	74
Pfd., W. I.	107	109
Leonard, Fitzpatrick, Mueller (1.5)	42	44
Pfd. (8)	145	155
Manhattan Rubber (2.5)	42	46
Metropolitan Chain Stores:		
1st Pfd. (7)	112	116
2nd Pfd. (7)	112	116
National Sugar Ref. (7)	128	130
Neisner Bros. Pfd. (7)	112	116
New Eng. Tel. & Tel. (8)	138	140
Phelps Dodge Corp'n (6)	122	127
Pierce, But. & Pierce (2)	24	27
Pfd. (8)	x92	x97
Remington Arms	13	15
1st Pfd. (7)	88	90
2nd Pfd.	71	76
Royal Baking Powder (8P)	260	270
Pfd. (6)	107	109
Ruberoid Co. (4)	96	99
Safety Car H. & L. (8P)	133	136
Savannah Sugar (6)	119	124
Pfd. (7)	114	117
Shaffer Oil & Ref. Pfd. (7)	80	85
Sheffield Farms Pfd. (6)	104	...
Singer Mfg. Co. (10P)	426	430
Singer, Ltd. (¼)	5	6¼
Superheater Co. (6P)	172	182
Valley Mould & Iron	20	23
Pfd. (7)	86	90
Wash. Ry. & Elec. (5)	460	465
Pfd. (5)	102½	102¾
White Rock 2nd Pfd. (10)	160	...
1st Pfd. (7)	100	...
Woodward Iron	65	70
Pfd. (6)	90	...

G—Guaranteed as to principal and dividend by Amer. Type Founders.

P—Plus extras.

B—Also extras on account of arrears.

x—Ex-dividend.

makers of business equipment. Included among these are such companies as International Business Machine, Burroughs Adding Machine, Remington Typewriter, Wales Adding Machine, Barrett Adding Machine and Sunstrand Adding Machine. Incidentally, control of these patents has raised Remington Arms to rank as the world's second leading cash register manufacturer.

The firearms division was also placed in a stronger competitive position last year by introduction of a new 30 Bolt Action Sporting Rifle and development, during the latter half of 1926, of "Kleanbore" cartridges and "Shur Shot Shell." The advantages claimed for "Kleanbore" ammunition are elimination of rifle cleaning since the salts used in this powder tend to do away with rust and corrosion.

More recently, the company's plant at Ilion was applied to production of a new line of products, in conformity with the management's program of rehabilitation and diversification. Thus, during the fore part of 1927, Remington Arms acquired the Universal Sales Machine Co. of Boston, an old, established maker of vending machines. A subsidiary unit was organized to carry on manufacturing operations of the acquired company which produces coin-operated devices for vending sundry commodities, including cigarettes, drugs, groceries and the like. The field of application is wide, self-serving apparatus of this kind being adapted for use in factories, office buildings, chain stores and so on.

Financial Position Improved

Concurrently with these changes in operating activities, steps have been taken to fortify Remington's financial position. The successful conclusion of its legal difficulties with National Cash Register brought approximately 2 million dollars to the company's treasury and materially aided the refunding of 6 millions of 6% notes with an issue of 4 millions 5½% notes last year. As a result of this refinancing, the company's balance sheet, adjusted to January 31, 1927, showed 24.07 millions

(*Please turn to page* 734)

The "Aristocrats" of the N. Y. Stock Exchange

By DAVID BELLOWS

AMONG the securities listed on the New York Stock Exchange there is a selective group of issues whose price has earned them the appellation "rich men's stocks." These stocks, some fourteen in number, have a selling range from 250 to 350 for the most active, while one or two are quoted around the thousand dollar mark. In many cases absorption by another company is responsible for the high price of a stock which plunges it into obscurity. But there are a number of instances where earnings and prospects are sufficiently in line with market value to warrant further enhancement; these are the stocks which play the most active role in high-priced dealings on the Stock Exchange.

It is both curious and interesting to observe the strange metamorphosis of a stock from the active, reasonably-priced class to that of the elite fourteen, included among the aristocratic members in the social register of the investment world. An illustration affording a clear picture of the various gradations is to be found in Baldwin-Locomotive. For many years this stock was a favorite market leader, popularized chiefly because of its wide marketability. In the latter part of 1926 heavy buying lifted the price up to a new high level and this upward move was continued in 1927. After selling at a low of 93 in 1926 and then reaching a high of 167 in the same year, it was rumored that important financial interests were seeking control. These statements were continued throughout the following year, with the result that another 100 points was added to the previous top. When the stock got above 250, it suddenly went "dead." Days passed when not a single share was dealt in. It had lost its popular appeal to the average trader because of its high price and inaccessibility. But it has gained some prestige by being included, from a market point of view, in the same category with such stocks as Michigan Central, Jersey Central, Hocking Valley, etc.

As stated before, the election of a stock to this coterie is usually the development of a special situation involving passing of control. Once this is effected the security hibernates and seldom makes its appearance, although it is not true in the case of some stocks where a small floating supply is available, as, for example, Jersey Central and Mexican Petroleum. Both of these stocks are controlled by other companies but transactions in them are not uncommon.

In the case of du Pont, with its equity in General Motors, an entirely different situation exists. This stock is without a doubt the most active of the high-priced issues owing to the fact that it is fairly well distributed in investment channels. Midland Steel Products preferred, Case Threshing Machine, International Harvester, National Surety and R. H. Macy are of a somewhat similar nature. The recent sensational advance of Adams Express is attributed to "nuisance buying"; or in other words the stock has been marked up so that its price will be irresistible to stockholders who are reluctant to exchange their holdings for that of American Railway Express.

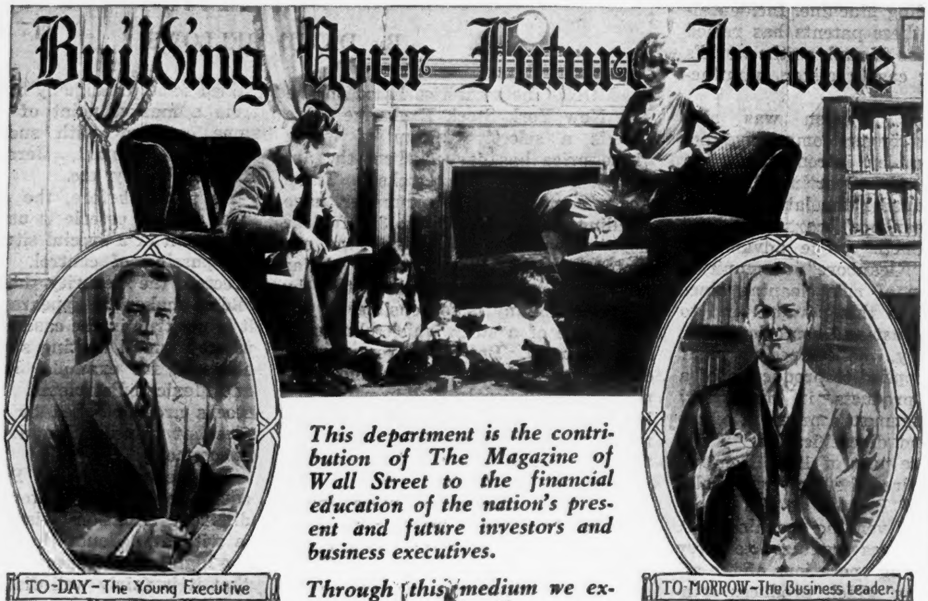
The possibilities of profitable investment in high-priced stocks are somewhat limited, particularly to the small investor who quite naturally does not like to tie his money up in securities yielding a small rate of income and lacking an essential investment quality —ready marketability. For the investor who is in a position to purchase this type of issue there are, as in the lower-priced field, opportunities offering excellent potential returns.

The "Aristocrats" of the Stock Exchange

	Earnings $ Per Share			Book Value	Price Range 1925-27		Recent	Div.	Yield
	1924	1925	1926	1926	High	Low	Price	($)	(%)
Adams Express	9.61	9.97	9.66	$157.27	210	90	285	6	2.1
Baldwin Locomotive	def	def	23.19	240.63	265	93	250	7	2.8
Case Threshing Mach.	def	14.49	23.21	144.68	283	24	260	6	2.3
Central R. R. of N. J.	22.55	13.11	15.92	414.00	348	240	303	†12	3.9
Cleveland, C., C. & St. Louis	16.12	23.19	23.17	189.41	300	140	290	8	2.7
Du Pont, E. I.	12.46	14.97	13.98	65.60	*360	*134	315	10	3.1
Hocking Valley R. R.	21.48	18.80	24.97	245.00	425	127	360	10	2.7
International Harvester	11.34	15.78	19.55	208.06	255	96	240	‡6	2.5
Macy, R. H.	6.70	10.05	13.18	61.43	243	70	270	‡5	1.8
Mahoning Coal R. R.	....	46.02	51.93	363.00	950	800	950	50	5.2
Mexican Petroleum	4.06	41.24	§19.48	221.00	320	225	310	12	3.8
Michigan Central	72.73	100.37	101.21	568.60	1050	510	1260	40	3.1
Midland Steel Prod. pf	14.88	28.52	18.04	190.00	315	96	250	†12	4.4
National Surety	27.09	15.55	35.84	181.35	373	206	324	10	3.0

† Including extras. ‡ Also extra dividends in stock. § First six months ended June 30. * Old stock.

EDITORIAL PAGE



This department is the contribution of The Magazine of Wall Street to the financial education of the nation's present and future investors and business executives.

Through this medium we extend to our subscribers an opportunity to assist us in spreading the doctrine of safe and sound investment by using these pages as a practical guide to financial success in their own homes and offices.

A "Tip" On Saving Money

A SUCCESSFUL young business man, who we never suspected of being interested in thrift, gave us a good clue, not so long ago, to the successful accumulation of money. Little suspecting that a chance remark was destined to become the text of a "sermon" in these columns he stated: "During the past three months I saved more money than in any other similar time during my life."

* * *

"Just how did you do it," we inquired with that sort of gleam in our eye that some women have when they see a bargain.

"I was travelling with my friend Jack ——— during this time," he confided to us, but we are withholding Jack's name, because we want to spend several years with him ourselves.

"Jack," he continued, "was the biggest miser I have ever known. He never went to the theatre, because it cost money; he never ate in fancy restaurants because they were expensive; he never entertained his friends at places where he would have to spend a lot of money. All he did was save—save—save. A regular tightwad!"

"And so, when you went around with Jack, you had no chance to spend much money and saved more than any other time in your life," we hazarded, always ready to jump at conclusions.

"Yeh," drawled our friend a little sadly.

"Then why don't you still go around with him and continue to save a lot of money for yourself?" we asked, determined to draw a moral from the story.

"Well, you see it's this way. Jack has been saving his money like that all his life. Now, he has enough to retire from his business so he enjoys himself travelling around Europe, while I enjoy myself spending money here in New York."

* * *

So following this clue to thrift, we have made a mental note of the "spending influence" which our various friends have on us. Naturally enough, we find that our really "best" friends have a much better sense of money values than we imagined before giving serious thought to the matter.

At any rate, we pass the tip along to readers who are interested in new paths to thrift and saving, for what it is worth. And if you have never observed the effect that your friends and associates have on your every day spending habits, the tip will be quite worth while, thank you!

"Intelligent Use of Present Income Will Assure Financial Independence."

Serving One's Investment Apprenticeship

Applying an Old-Fashioned Practice to the Success of a Modern Investment Program

By STEPHEN VALIANT

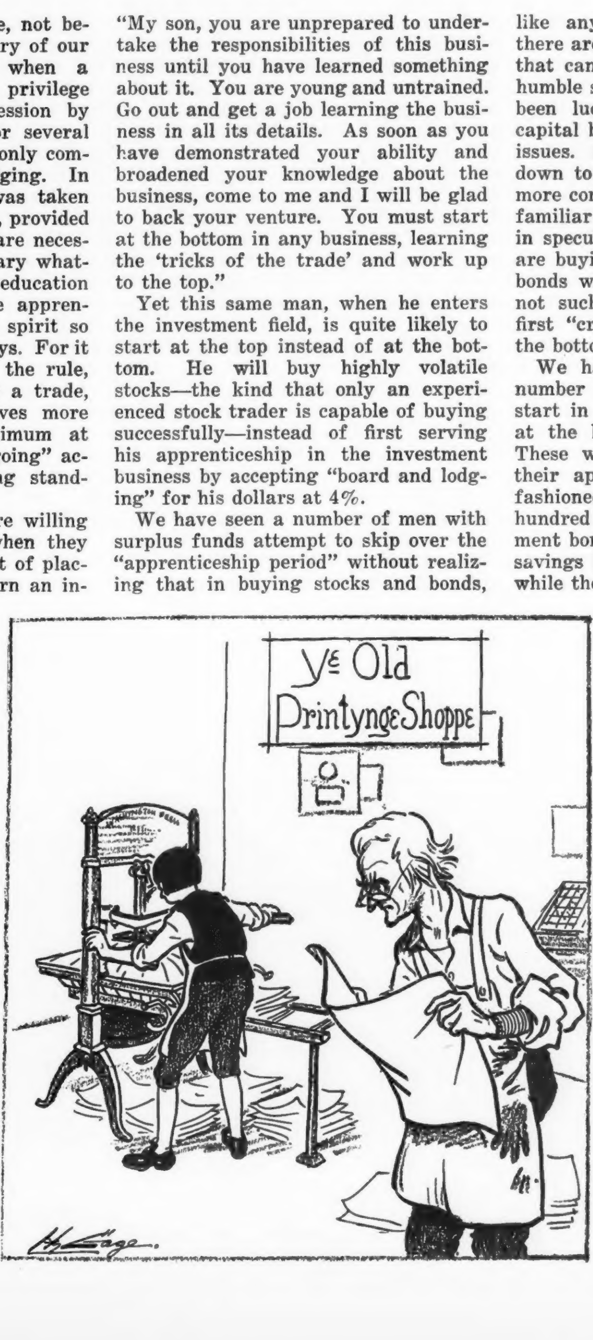
THERE used to be a time, not beyond the range of memory of our fathers and mothers, when a young man considered it a privilege to learn his trade or profession by serving an apprenticeship for several years, during which time his only compensation was board and lodging. In those days, the apprentice was taken into the home of his employer, provided with a few clothes and the bare necessities of life, receiving no salary whatever until his commercial education was completed. In fact, the apprentice idea has not changed in spirit so much even in these modern days. For it is the exception rather than the rule, when a young man entering a trade, profession or business receives more salary today than the minimum at which he can keep himself "going" according to present day living standards.

But how many investors are willing to serve an apprenticeship when they undertake to learn the fine art of placing their funds at work to earn an income for them? Men in the investment business who have wide and varied experience, frequently call attention to the fact that the beginner investor usually prefers to buy some speculative issue which promises high returns, than to place his funds in some humble 5% bond. The "get-rich-quick artists" capitalized this preference on the part of the inexperienced investor in past years to the tune of many millions of dollars. And most of these dollars that went to buy "fake stocks" were the dollars of inexperienced investors who had not as yet served their apprenticeship.

Few men would be willing to back their inexperienced sons in the business world, until such time had passed that the son learned the rudiments of the business. Approached on the subject they would return some stock answer as this: "My son, you are unprepared to undertake the responsibilities of this business until you have learned something about it. You are young and untrained. Go out and get a job learning the business in all its details. As soon as you have demonstrated your ability and broadened your knowledge about the business, come to me and I will be glad to back your venture. You must start at the bottom in any business, learning the 'tricks of the trade' and work up to the top."

Yet this same man, when he enters the investment field, is quite likely to start at the top instead of at the bottom. He will buy highly volatile stocks—the kind that only an experienced stock trader is capable of buying successfully—instead of first serving his apprenticeship in the investment business by accepting "board and lodging" for his dollars at 4%.

We have seen a number of men with surplus funds attempt to skip over the "apprenticeship period" without realizing that in buying stocks and bonds, like any other commercial endeavor, there are many fine points to be learned that can best be learned by making a humble start. Some of these men have been lucky enough to increase their capital by their dealings in speculative issues. Some start at the top and work down to the bottom, getting more and more conservative as they become more familiar with the intricacies of dealing in speculative issues, until finally they are buying 4% issues and Government bonds with their money. Others have not such good fortune and after the first "crisis" start all over again—at the bottom.



We have also seen a much larger number of inexperienced investors start in on their investment programs at the bottom and work to the top. These were the investors who served their apprenticeship in the good old fashioned way. With their first few hundred dollars, they bought Government bonds or placed their money in a savings bank where it would earn 4% while they made a careful study of the rudiments of investment. They learned that a bond is a promise to pay a fixed rate of money each year and to return the principal at maturity, while a stock was merely a partnership interest in the business that would pay dividends only if and when the business made profits. So they started with bonds and picked the issues which offered the strongest "guarantee" that the interest would be paid regularly and the principal returned when due.

During this time, their invested dollars returned a low rate of income to them but this income was sure and their principal was safe, while all the time they were studying securities and preparing themselves to work a step higher. Later they departed from bond investments and placed some funds in good pre-

(*Please turn to page* 723)

Building An Estate on the Foundation of American Prosperity

An Intimate Investment-biography of the Rise to Fortune of a Young Lawyer

By M. CARLISLE MINOR

RICHARD ROE, the hero of this story, is a lawyer and without dependents. Ten years ago he began the practice of his profession at the age of 25. Today he has an estate in excess of $50,000 which is invested in the manner shown in the accompanying list. The general policy underlying this achievement and the methods whereby this fund was accumulated is the subject of this article.

Having made what he considered to be adequate provision for personal insurance, Mr. Roe was confronted in 1918 with the problem of investing $1,000, which represented his savings for the year. This was his first, but, he hoped, not his last, thousand. It was his opinion, therefore, that the initial commitment should be made in relation tc some general investment policy and this policy should be predicated upon his situation and objective in life.

What, then, was his situation? In the first place, he was legally, not financially, trained. Consequently, he should enter the investment field with caution. A baby must learn to crawl before it can walk. In the second place, he had no dependents. He might assume, therefore, greater risks than if the reverse were true. Inasmuch, however, as marriage is the normal status, he should, in anticipation of a possible change in his social relationships, have an eye to safety of principal. Finally, the day would probably arrive when professional earnings would decline or wholly disappear as a result of retirement from active work.

His objective, therefore, should be the creation of an estate, which, at some future date, would produce an income sufficient to supplement or supplant this decrease or disappearance of earning power, and which, together with life insurance proceeds, would afford adequate protection to dependents in case of his demise.

In view of the surrounding circumstances, Roe resolved at the outset to invest his first ten thousand dollars in bonds. As a class, bonds were safer than stocks. They had first claim on earnings and assets. They assured stability of dollar-income in the face of falling interest rates, declining commodity prices, or a prolonged business depression. In almost any investment scheme they would constitute the foundation of the security structure. Besides, by confining himself to bonds for a certain period he would have an opportunity to study investment values and thus prepare himself to select stocks where greater discrimination was necessary.

Within the bond group, Roe proposed to put his first five thousand dollars in the world's premier security — U. S. Government bonds—and then gradually reach out for other securities in quest of a larger return and greater diversification. Patriotic motives, as well as considerations of safety, favored government obligations. Accordingly, Victory and Liberty loan issues were purchased during the period 1918-1921. During the latter part of 1920 and in 1921 many government obligations were an attractive purchase from a strictly economic standpoint. In October, 1922 holders of U. S. Victories were accorded the privilege of exchanging their holdings at par for the U. S. Treasuries of 1947-52. Roe made the exchange.

At this time bond prices had recovered somewhat from the low levels of 1921 and, with the prospect of a decrease in commodity prices and interest rates over a period of years, these new bonds appeared desirable from a long-range viewpoint. During the year 1921, Roe also purchased two corporation bonds — a railroad and a public utility issue. Both were sound, high-grade, non-callable, first-mortgage bonds. An attractive yield and confidence in the ultimate recovery of

THIS article is one of the many excellent investment experience stories submitted in the recent BYFI Prize Contest, offering our readers a sound plan for estate building with investment securities.

France prompted the purchase of a French dollar bond in 1922. During the same year a medium-grade bond of an improving railroad and a first mortgage obligation of a leading rubber company were added to the list. Thus at the end of five years the bond fund totalled $9,970, cost value, and from it there was an annual return of $522.50.

Considers Common Stock Investments

Roe was now ready to consider common stocks as investments. His bonds assured him a certain fixed return but they afforded no opportunity to share in the profits of the companies. To Roe this was a serious objection. His studies had led him to the conclusion that, for one desirous of increasing his estate, stocks constituted the best type of investment. They shared in the growth and prosperity of the country and constantly grew in value as a result of the reinvestment of earnings. Through stock ownership the investor assumed a proprietorship rather than a creditor position and thus became entitled to a portion of these profits and capital increases.

Another reason favoring the purchase of common stocks was that they afforded some protection against fluctuations in the purchasing power of money. During periods of inflation or rising commodity prices the bondholder suffered as a result of the shrinkage in exchange value of his fixed dollar income. Certain classes of stock, however, profited by the very set of conditions which adversely affected bonds. This was particularly true of industrials. Rising commodity prices resulted in greater earnings for these companies and these earnings were generally passed on to the stockholder in the form of increased dividends. As a stockholder, therefore, the investor occupied a position in which the receipt of a variable income made possible those adjustments required by changing money values.

Convinced of the soundness of his reasons for the inclusion of stocks in his investment plan, Roe proceeded with the formulation of a policy which should guide him in his stock purchases. While it was true that junior issues offered larger opportunities for profit it was also true that they possessed great possibilities of loss. In order to minimize this risk, he would diversify his commitments as to industry, company and location. Railroads, public utilities and industrials, therefore, should be included.

The common stocks of railroads and the utilities suffered from the very set of conditions affecting bonds because these industries were large users of commodities and new capital for expansion purposes and because of the hesitancy of public commissions to grant rate increases. But, it seemed, their stocks could not be omitted because of their profit possibilities due to growth. Moreover, railroads and public utilities offered excellent opportunities for diversification and their earnings were more stable than industrials. It was in the latter group, though, that Roe saw the greatest chances for the increase of his estate.

Within each group our investor resolved to purchase only the stocks of the seasoned and most ably managed companies. Among the industrials he would limit his selection to those companies whose services or products were of a basic character. The largest units would be favored as they, generally, had the most capable management and were in a better position to meet competition and weather a depression. Those companies would be avoided which, for any reason, had ceased to grow or which had over-expanded or outgrown the country.

Starts With Railroad Shares

The first stock purchase made by Roe was in the Atchison railroad in 1923. This railroad had an excellent capital structure, large earnings, and a capable management. Shares in American Telephone & Telegraph and United States Steel, recognized leaders in their respective fields, were also purchased during the same year. In 1924, New York Central, Packard and Commonwealth Edison were added to the list. Central was a leading trunk line system with a progressive management. Packard was a little more speculative than the earlier commitments, but it was sound financially and had not yet grown up to the automobile requirements of the country. Commonwealth Edison was an outstanding utility in an important and growing city.

During 1925 and 1926 a southern and a northwestern carrier, as well as a gas company in New York and an electrical concern in California, were included in the list. Two industrials, each supplying basic commodities and each the admitted leader in its field, were also added. In 1927 an insurance and a bank stock were purchased. (*Please turn to page* 725)

The Nine-Year Investment Program

BONDS

Date of Purchase	Amount	Name of Security	Cost	Market Value (a)	Annual Return
1918	$1,000	U. S. Lib. 1st, 4¼s, 1932-47....	$1,000	$1,034	$42.50
1919	1,000	U. S. Treas. 4¼s, 1947-52 (b)..	1,000	1,154	42.50
1920	2,000	U. S. Treas. 4½s, 1947-52 (b)..	1,900	2,308	85.00
1921	1,000	U. S. Lib. 4th, 4¼s, 1933-38...	870	1,039	42.50
	2,000	K. C. Sou. 1st, 3s, 1950........	1,200	1,560	60.00
	1,000	N. W. Teleg. Co. 1st, 4½s, '34	880	1,000	45.00
1922	1,000	Rep. of France 7½s, 1941......	945	1,150	75.00
	2,000	Sou. Ry. gen. 4s, 1956.........	1,300	1,850	80.00
	1,000	U. S. Rubber 1st 5s, 1947......	875	940	50.00
	$12,000		$9,970	$12,035	$522.50

COMMON STOCKS

	No. of Shares				
1923	15	Atchison, Top. & S. F. R. R...	$1,500	$2,925	$150.00(c)
	10	Am. Tel. & Teleg.	1,250	1,790	90.00
	35(e)	U. S. Steel	2,250	5,075	245.00
1924	20	New York Central	2,000	3,250	160.00
	100	Packard Motor	1,200	5,250	240.00
	10	Commonwealth Edison	1,300	1,700	80.00
1925	15	Southern Railway	1,500	2,100	105.00
	20	Con. Gas of N. Y.............	1,800	2,380	100.00
	50	Stand. Oil of N. J...........	2,000	2,000	75.00(c)
1926	20	Northern Pacific	1,500	2,000	100.00
	50	Sou. Calif. Edison	1,750	2,000	100.00
	20	General Electric	1,700	2,640	80.00(d)
1927	15	National Surety	3,000	4,620	150.00
	5	National City Bank...........	2,750	3,669	100.00
			$25,500	$41,390	$1,775.00

(a) Market value is based on prices at December 1, 1927. (b) U. S. Victory notes of 1922-23 were exchanged for these Treasury bonds on October 16, 1922. (c) Including extras. (d) Excluding extras. (e) Includes 10 shares representing 40% stock dividend declared in 1927.

Safeguarding the Family Insurance Income

An Added Measure of Protection Is Provided by Modern Disability Contracts

By FLORENCE PROVOST CLARENDON

WHEN the young family man of moderate income begins to build his life insurance estate, he views this evidence of his self-denial and thrift with ever increasing respect and appreciation. He has made what provision he can for his dependents in event of his untimely death, and with this comforting assurance he goes forward with higher courage and increased stimulation towards the goal of success he seeks. With intelligence and ability he is likely to progress *if he continues in good health.*

But, if he is stricken in early manhood with some incurable disease, or meets with an accident which renders him unfit for further business activities, he is immediately cut off from the work which maintained him and his family, and which promised increased prosperity in the years to come. His disability comes like a blight to his hopes, and he confronts an *impassé* which seems unsurmountable. Despite his caution, conservatism, and thrift, the unexpected misfortune has come; his savings must be drawn upon to meet current expenses, and, moreover, his outlays are still further increased by doctor's bills and the other needs of an invalid.

It is in such cases that the Disability Benefit which is now granted by many of the leading Old Line life companies helps the insured in a definite and decisive manner, because it guarantees that additional protection will be operative in the event that he is totally and permanently incapacitated.

The Disability Benefit included in the policies of life companies has shown an interesting development since it was first issued to policyholders about thirty years ago. In its earlier form the Disability Benefit provided for a simple waiver of premium in event of the insured becoming totally and permanently disabled, and this fundamental form of Disability Benefit provision is included in policies of the majority of the well known Old Line companies. Then later on, an additional development appeared in the provision that, in addition to the waiver of premium, a payment was made to the disabled policyholder of, usually, ten per cent of the face of the policy annually—deductible, without interest at the death of the insured or at the maturity of his policy. Still later it was provided that this payment was *not* deductible from the proceeds of the policy.

At the present time, the Disability Benefit offered by many of the progressive Old Line institutions gives still broader coverage, in that in event of the total disability being of a permanent nature, the premium is not only waived after receipt of proof of such disability, but there is provided for the insured a monthly income of (usually) one per cent per month of the face amount of the policy. In the case of a policy for $10,000, this monthly income would be $100.

Irrespective of the waiver of premiums and of the payment of a monthly income to the permanently disabled man, the *full face amount* of the policy is payable to his beneficiary in event of his death. This is indeed broad coverage.

Most companies provide that total and permanent disability of a policyholder must occur prior to age 60; but some of the companies extend this period to age 65, or in a few cases to a still older age. It is usually considered, however, that after age 60 the number of men who become unfit for active and continuous work is too great to permit the coverage extending into old age, or that the cost of the coverage beyond age 60 is greater than the average applicant at young ages is willing to pay. If the insured is totally and permanently disabled *before* attaining age 60 and has entered upon the benefits of the disability provision in his policy, these benefits will be continued *after age* 60, and for so long thereafter as disablement may incapacitate him. The same conditions obtain in those companies, of course, which offer the Disability Benefit when occurring prior to age 65 or older.

Most of us are familiar with sad cases of men in middle life who have broken down for one reason or another. Blindness, paralysis, nervous diseases, sometimes befall a man in the midst of his active business career; tuberculosis many a time claims the young man just starting to gain success. The possession of a life insurance policy providing for even a small monthly income (with the added comfort of cessation of premium payments) is a veritable godsend to a man thus stricken.

In the case of some forms of disability, notably tuberculosis, it is difficult to determine whether the

(Please turn to page 735)

The Cost of Disability Protection

Total and Permanent Disability—prior to Age 60

WAIVER of future premiums, and INCOME of $10 per month for each $1,000 of Face Value

Premium rates—$1,000 Policy

POLICY PLANS

Age	Ordinary Life	30 Payment Life	20 Payment Life	30 Yr. End't	20 Yr. End't
20	$1.15	$1.32	$1.50	$.80	$.68
25	1.34	1.40	1.64	1.00	.78
30	1.56	1.58	1.75	1.20	.97
35	1.85	1.85	1.90	1.60	1.23
40	2.22	2.22	2.22	2.20	1.70
45	2.66	2.66	2.66	2.66	2.42
50	3.40	3.40	3.40	3.40	3.30
55	4.55	4.55	4.55	4.55	4.55

How To Analyze Your Investment Holdings

A Series of Educational Investment Articles

The West Penn Electric Company

7% Cumulative Preferred Stock.

THE West Penn Electric Company was organized during the latter part of 1925 for the purpose of unifying the electric subsidiaries of the American Water Works & Electric Co., Inc., into a single system. The most important of these subsidiaries are the Potomac Edison Co., Keystone Power & Light Co., West Penn Railways, West Penn Monongahela Co. and West Penn Co., which together with other subsidiaries in the new system serve a population of 1,700,000 in an area of about 22,000 square miles lying between the three states of Maryland, West Virginia and Pennsylvania. The output from these properties exceeds one and a half billion kilowatt-hours per annum, which is distributed over the company's network of 2,260 miles of high-tension transmission lines.

Having taken over the properties of some of its subsidiaries as well as the stock interest in others it is both an operating company and a holding company. The parent company's plant, property and investment account was carried on its September 30, 1927, balance sheet at a valuation in excess of 65 million dollars, this item representing about 97% of its fixed assets. Against this account, the senior security of the company is its preferred stock, issued in two series; 22 million 7% cumulative preferred stock of $100 par value, and 11.5 million 6% cumulative preferred stock of $100 par value. Both classes of preferred are equal in every respect but the annual dividend rate and the call price, the call figure for this issue of 7% preferred under review being $115 a share. The company has no bonds other than a small real estate mortgage (of less than $300,000 face value) and no notes or bank loans outstanding on its latest balance sheet. The asset values for the preferred stock as indicated on this statement is almost double the par value of its shares.

The earning power of the utility properties which are now controlled by the West Penn Electric Company has increased steadily since 1920. The gross income shown in the consolidated statement for the year 1926 was 34.4 million dollars, which figure represented an increase of about 9% over the previous year. For the nine months ended September 30, 1927, the latest earnings statement available at this time, the gross income continued to show a satisfactory rate of increase, while the net income gained over 15% from the corresponding period of 1926. Due to an increase in the amount of preferred shares outstanding, the per share earnings for 1927 will be lower than in the previous year but, from preliminary statements, should run over twice the dividend requirement—a very satisfactory margin of earnings for an issue of this type.

BYFI'S INVESTMENT SUGGESTIONS

These investment recommendations are now a regular feature for the guidance of BYFI readers. With the original selection of each issue, safety of principal has been a foremost consideration. Each issue is watched continuously and will be replaced at any time that it may become unfit for retention. Such changes will, of course, be brought to the reader's attention, if and when they occur.

THE FIRST $500

	Approximate Price	Yield to Maturity
Savings banks accounts are recommended for deposits of regular savings, to yield........	...	4 to 4½%
Shares of well managed Building & Loan Assn. are recommended on the monthly paymentplan	...	5 to 6%
Endowment Insurance is a suitable medium for the investor and yields a return of........	...	3 to 3½%
*Laclede Gas Light 1st and ref. 5½s, 1953...	105	5.15%

THE NEXT $1,000

†International Mercantile Marine 1st & Coll. 6s, 1941	106	5.35%
*Montreal Tramway gen. & ref. 5s, 1955......	100	5.00%
‡†N. Y. Steam Corp. 6s, 1947..............	108	5.34%
†Western Pacific 1st 5s, 1946..............	100	5.00%

$5,000 FOR INVESTMENT

	Approximate Price	Yield to Maturity
Cuba R. R. 1st 5s, 1952....................	99	5.08%
Shulco Co., Inc., Guar., Ser. "B" 6½s, 1946...	103	6.23%
U. S. Rubber 1st 5s, 1947....................	90	5.34%
West Penn Electric $7 Pfd....................	110	6.35%
U. S. Smelting & Ref. $3½ Pfd.............	53	6.60%
American Sugar Refining $7 Pfd.............	110	6.35%

THE NEXT $5,000

Seaboard Air Line 1st Cons. 6s, 1945.........	96	6.35%
Nassau Electric 4s, 1951....................	57½	7.99%
Western Maryland 1st 4s, 1952..............	86	4.97%
Brooklyn-Man. Tr. $6 Pfd....................	87	6.80%
International Paper, $7 Pfd..................	107	6.50%
‡American Tel. & Tel. common ($9)...........	179	5.05%

*Available in $100 units. †Available in $500 units.
‡Recommended to hold only.

Early Year Trade Improves

Activity in Steel Denotes Increasing Production in Many Lines—Prices Steady with Prospects of Further Strength as Buying Gathers Momentum

STEEL

Strength Characterizes Markets

A DEVELOPMENT of paramount importance, insofar as it indicates the trend of steel company earnings during the next few months, was the advance of $1 a ton in the price of shapes, plates and bars. Although operations are being revised to a more active scale, it is becoming more and more evident that higher prices are needed in many lines to assure at least a compensating margin of profit after the unsatisfactory results of the fourth quarter last year. Indications point to a further strengthening of quotations in view of the fact that producers are so well fixed with regard to backlog of orders that they can afford to adopt a more independent policy in the revamping of price schedules. Heretofore consumers have had everything much their own way because of the sharp competition among manufacturers, re-

(*Please turn to page* 727)

COMMODITIES*

(See footnote for Grades and Unit of Measure)

	1928 High	1928 Low	*Last
Steel (1)	$33.00	$33.00	$33.00
Pig Iron (2)	17.00	17.00	17.00
Copper (3)	0.14¼	0.14	0.14⅛
Petroleum (4)	1.90	1.03	1.28
Coal (5)	1.75	1.52	1.52
Cotton (6)	0.19⅝	0.17¾	0.17¾
Wheat (7)	1.56⅜	1.50⅞	1.56⅜
Corn (8)	1.08⅜	1.06	1.06
Hogs (9)	0.08¼	0.08	0.08⅛
Steers (10)	16.50	15.50	15.50
Coffee (11)	0.14⅞	0.14¼	0.14⅞
Rubber (12)	0.41	0.39½	0.39¾
Wool (13)	0.49	0.47	0.49
Tobacco (14)	0.12	0.12	0.12
Sugar (15)	0.04⅝	0.04⅜	0.04⅜
Sugar (16)	0.05⅞	0.05⅞	0.05⅞
Paper (17)	0.03¼	0.03¼	0.03¼
Lumber (18)	19.98	19.96	19.96

* Jan. 28.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium, Burleigh, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. $ per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Operations continue to expand and output is being increased all along the line. New business is coming in at a very satisfactory rate, with little evidence of any material falling off. The advance in bars, plates and shapes is a forerunner of higher prices for other steel products. Pig iron holds steady, although demand is not commensurate with improvement in finished steel.

PETROLEUM—Industry is still making efforts to curtail production as evidenced by the decline in daily average output for the entire country. It is this factor which is having a stabilizing influence on crude oil prices; while stocks are lower they are still excessive in proportion to consumption requirements and further correction is needed.

METALS—Copper buying is quiet with both foreign and domestic demand tapering off. Prices continue unchanged at the 14 cent level and little strength is expected unless home consumption picks up. Lead and zinc are slightly firmer, although no special activity has developed.

LEATHER—Although some falling off is being witnessed in the demand for hides, leather markets as a whole are strong in view of the absence of any change in shortage conditions. Prices are maintained at high levels. Shoe prices are beginning to reflect the strength in raw materials.

AUTOMOBILES—Production is being rapidly increased in expectation of large spring demand and is now 20% higher than it was a year ago. A great deal has been accomplished in the way of stimulating new interest among automobile buyers at the annual shows and lower prices are also proving an added incentive to prospective purchasers.

TEXTILES—Curtailment becomes increasingly drastic in New England as well as in Southern print mills and wage reductions are in progress. Woolens are slightly more active and apparel trades are recovering from their dullness with more seasonable winter weather.

SUGAR—Raw markets continue dull under the shadow of a huge world crop in the making for 1928. Even definite news of Cuban restriction to four million tons in the crop now grinding has failed to revive active purchasing. Refined markets are steadier.

SUMMARY—A general more favorable tone is evident, with expansion of production as industries make efforts to fill oncoming spring requirements. Excellent financial condition of agricultural sections indicates renewal of activity in many lines of business.

·SERVICE·SECTION·

ANSWERS TO INQUIRIES

SUBSCRIBERS—ATTENTION

The Inquiry Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. If you are a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. Inquiries cannot be received or answered by telephone nor can personal interviews be granted by this department. The inquiries presented in each issue are only a few of the thousands currently received and replied to. The use of this personal inquiry service in conjunction with your subscription to the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription. Inquiries from non-subscribers of course cannot be answered.

ELECTRIC STORAGE BATTERY

Among other securities, I am holding Electric Storage Battery, which cost me $90 a share in 1926. Do you think it likely the stock will recover to its former standing?—A. L. K., Detroit, Mich.

Reflecting a general slowing down in the automotive industry and the trend of the radio industry away from battery-operated receiving sets, earnings of Electric Storage Battery for the year 1927 are likely to show between $6 and $6.50 a share of common against $7.31 a share in 1926. The company is one of the largest manufacturers of storage batteries in the world, producing a complete line of automobile, radio and other units. It is now engaged in extending battery sales in other fields, and is marketing a new batteryless radio unit. Despite exceedingly keen competition, characteristic of this particular line of endeavor, the company has demonstrated its ability to function on a satisfactorily profitable basis, under normal conditions, and while the narrow margin of earnings above $5 annual dividends indicated for the late year might cause concern regarding the safety of payments, by virtue of an excellent financial position disbursements could be maintained indefinitely, barring an unlooked-for drastic falling off in profits. A fair current income return offsets rather limited nearby prospects of material price appreciation, although long range possibilities of enhancement seem favorable. We would suggest holding.

Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

Subscribers wishing to avail themselves of the privileges of the Inquiry Department should be guided by the following:

1 *Be brief.*
2 *Confine requests for an opinion to three securities.*
3 *Write name and address plainly.*

VANADIUM

What effect do you believe the extension of the Vanadium Corporation into the chemical field will have on its stock? I have 50 shares which cost me 33, and I am thinking of buying 50 more.—S. A. C., Brooklyn, N. Y.

Vanadium Corp., at present, depends for the major portion of its profits on the automotive industry, the principal user of vanadium steel, and on the locomotive industry, another important consumer. Slack conditions prevailing in the latter fields in the late year is likely to be reflected in Vanadium reporting a slight falling off in earnings for the 1927 year to around $5 a share against $5.26 a share in 1926. However, while the company's business as carried on heretofore is expected to expand, its recent entrance into the chemical field might conceivably result in the production of ferro-alloys, which constitutes sole activities at present, becoming a minor part of operations. An interesting feature of the new enterprise is that it will not compete with any established chemical concern, representing, as it does, the developing of practically an untried field, compounds of rare and semi-rare elements, many of which are required by other chemical producers. In addition to the chemical industry, the compounds referred to are used in many other lines. Products of the experimental plant, in small quantities, have been on the market less than a year, but profits have reimbursed the company for several years' experimental work. A strong current position enables financing expansion of new lines without recourse to borrowing. However, as so often is the case, speculative imagination has been fired, and present prices of the shares discount favorable progress quite some distance ahead. Nevertheless, the stock has gained in speculative attraction for the long pull, and we suggest holding, for the present, for developments, but would defer fresh commitments at this writing.

FIDELITY-PHENIX FIRE INSUR.

I have 20 shares of Fidelity-Phenix Fire Insurance stock and have just received the 1927 report. Do you think the stock is selling as high as it is warranted by its position and prospects, or would you suggest selling it?—M. A. L., Boston, Mass.

Fidelity-Phenix Fire Insurance, in its present form, had its inception in 1910, being an amalgamation of a company organized in 1853 and another organized in 1906. The present company is one of the largest of American fire companies, and through able and aggressive administration has a long record of eminently successful operations. As a result of operations in 1927, net income, after expenses, losses and reserve, totaled $7,241,000, against $3,616,172 in 1926, equal to $18.10 a share and $9.04 a share, respectively, on the 400 thousand $25 par shares now outstanding. Increased book value of stocks and bonds accounted for about

(*Please turn to page* 712)

When Quick Service Is Required Send Us a Prepaid Telegram and Instruct Us to Reply Collect

THE POWER OF TIME AND MONEY

A Guaranteed Plan for Systematic Investing

NOW IN ITS 34th YEAR

Investors Syndicate, under its Accumulative Installment Certificate Plan, guarantees to investors sums in multiples of $1,000 on monthly payments of $6.30 and up for 120 months. The wide appeal of this Plan and its soundness is reflected in the consistent growth of Investors Syndicate as indicated in the statement below. These resources are back of the unconditional guarantee of safety on each Certificate.

Full information regarding the Investors Syndicate Plan mailed upon request

34th Annual Statement of Condition, December 31, 1927

ASSETS

Cash .... This consists of actual cash in our vaults and deposits in various banks.	$ 560,842.78
Bonds and Securities .... U. S. Government bonds and other bonds and securities at current market values.	1,130,449.48
First Mortgage Loans .... Consists of First Mortgages upon improved city real property only, payable in monthly installments under our amortization plan which constantly increases the margin of security. The properties securing our loans were conservatively appraised by competent real estate experts when the loans were made at approximately $34,000,000.00.	15,456,661.88
Loans on Certificates .... Loans to our Certificate holders secured by Certificates held by us as collateral.	804,509.06
Real Estate .... Properties carried at cost or less than cost and at values the total of which is less than current conservative appraisals.	382,142.34
Real Estate Contracts of Sale .... Contracts secured by real estate, the collateral security being substantially in excess of the total obligations.	746,237.36
Accounts Receivable ..... Consists of Tax Certificates purchased by us on property upon which we have loans; accrued interest and other current items receivable.	50,165.62
Furniture and Fixtures ...	42,931.57
Other Assets	5,051.02
	$19,178,991.11

STATE OF MINNESOTA }
COUNTY OF HENNEPIN } ss

E. E. Crabb, being first duly sworn, deposes and says that he is Vice-President and Treasurer of the Investors Syndicate, and that the foregoing financial statement is true to the best of his knowledge, information and belief.

Subscribed and sworn to before me this 10th day of January, 1928.

E. E. Crabb

Vice-President and Treasurer

(Notarial Seal) A. F. Wetter,
Notary Public, Hennepin Co., Minn.
My commission expires Sept. 26, 1934.

LIABILITIES

Certificate Cash Surrender Values .... Amount of liability to owners of our Certificates for cash surrender values.		$13,336,674.09
Contingent Liability ..... Amount set aside to meet additions to cash surrender values.		3,035,411.48
Other Accrued Liabilities. Amount set aside for taxes, death losses and reinstatements of Certificates.		36,973.09
Other Current Liabilities. Balances due on mortgages not fully funded and other current items payable.		233,422.90
Total Liabilities		**$16,642,481.56**
Certificate Reserve, A reserve over and above our legal liability set aside on a scientific actuarial basis as added assurance and as a guarantee of the payment of Certificates as they become due.	$1,589,598.57	
Capital and Surplus,	946,910.98	
Total Capital, Surplus and Reserve		2,536,509.55
Total		**$19,178,991.11**

CERTIFICATE

We have audited the accounts pertaining to the above statement of Assets and Liabilities of the Investors Syndicate as of December 31, 1927, as shown by its books and records. Our audit included the actual verification of evidence of the possession of all its assets, together with appraisals of properties wherever such appraisals appeared necessary. We have also investigated the renewal experience of the Certificates and are of the opinion that the table of reserves adopted by the Syndicate, together with the future payments called for by the Certificates and interest accretions at the present rate will cover the discharge of all Certificates as they become due.

WE HEREBY CERTIFY that, in our opinion, the above balance sheet correctly reflects the financial condition of the Investors Syndicate as of December 31, 1927. The Syndicate has complied with all of our requirements as auditors.

S. H. and LEE J. WOLFE,

By Lee J. Wolfe

Lee J. Wolfe
Consulting Actuaries, Auditors and Accountants,
New York City.

INVESTORS SYNDICATE

Established 1894

100 NORTH SEVENTH STREET, MINNEAPOLIS, MINN.

New York Office: 17 East 42nd Street

OFFICES IN PRINCIPAL CITIES

Income Tax Department

Conducted by M. L. SEIDMAN

The income Tax Department will appear regularly until the first March issue. Inquiries will not be answered except in these columns. The department is conducted by Mr. M. L. Seidman, C. P. A., a well-known tax expert and a close student of its various phases. Mr. Seidman, a member of the firm of Seidman & Seidman, is on the tax committee of the New York Board of Trade and Transportation.

IT is now definite that a new tax law will not be enacted before the 1927 returns must be filed. The Senate is not going to consider the subject until sometime in March, and it may be well into May, perhaps even June, before the law is passed. In the meanwhile, the 1927 tax is to be computed under the present law. The Government has already gotten out the blanks, and returns must be filed by March 15.

It is still planned to make a reduction for 1927. This will probably be worked out by refunding some of the 1927 tax, shown on the return, or adjusting it out of the installment payments.

Income Exempt from Tax

We are now at the point in the series when we are ready to consider how to arrive at the amount of income that is subject to tax. In that connection, I think it is best first to get out of the way the income that is not taxable. That is what we shall concern ourselves with in this article.

Tax Exempt Interest

Perhaps the most familiar tax exempt item is interest on the increasingly popular tax exempt bond. What bonds are tax exempt? It is generally believed that bonds issued by the United States Government come in the exempt class. That is not strictly so. With the exception of the 1st Liberty Bond 3½% issue, only the interest from $5,000 of Liberty Bonds and Treasury Notes are fully exempt. Any excess, while exempt from normal tax, is subject to surtax. Federal Farm Loan Bonds, however, have complete exemption. Likewise, the interest on bonds issued by a state or any of its subdivisions, like a city or county, is exempt from both normal and surtax.

A special provision is made with reference to the income from building and loan stock. All such income up to $300 is exempt.

Insurance Proceeds Exempt

The proceeds of life insurance policies paid by reason of the death of the insured to his estate or to any beneficiary, is exempt from tax. However, where the insured himself collects the proceeds upon the maturity of the policy, taxable income must be reported to the extent of the difference between the amount collected and the total premiums paid during the life of the policy.

As for other types of personal insurance, it is provided that amounts received through accident or health policies, or under workman's compensation acts, for personal injuries or sickness, need not be included in income. The amount received by law suit or agreement as damages on account of injuries or sickness, likewise does not constitute taxable income.

Amounts received as compensation, family allotments and allowances for war risk, insurance or as pensions for military service are also exempt. As a result, the soldiers' bonus need not be reported in the income tax return.

Gifts and Bequests

Gifts are not taxable either to the giver or the reseiver, irrespective of the value of the property at the time of the gift and its cost to the donor. Neither are legacies and bequests taxable. Of course, the income from the property so received would be subject to tax in the regular manner.

Tax Paid at Source

One exemption in which investors will be generally interested is that which makes it possible to omit from income the tax paid by a corporation for the bondholder pursuant to a tax-free covenant clause in the bond. Under some of the previous laws, the tax so paid had to be included in income. That is no longer so.

Having discussed in this terse fashion what may be excluded from income, we may now proceed to the more important question of what must be included in income. All income not specifically exempted is taxable. This includes profits on sales, compensation for personal services, business gains, interest, dividends, etc. In the next article we will analyze the first element mentioned, namely, profits on sales. We will there try to explain exactly how profit is to be computed for income tax purposes.

QUESTIONS AND ANSWERS

Dividends on Insurance Policies

Q. I have a number of policies that are all paid up and on which I am now getting dividends. Must I report the dividends in my tax return, or can I wait until they exceed the amount of premiums that I paid in?—W. E. T.

A. Dividends on paid up policies are taxable. You cannot offset them against premiums paid.

HOW NEW INVENTIONS ARE CHANGING THE COURSE OF BUSINESS AND INDUSTRY

(*Continued from page* 671)

extending its plans and establishing new stations to conduct a world-wide business in message transmission. Its Atlantic Stations connect with many European and several South American countries, and its trans-Pacific stations with the Philippines, Hawaii, Japan, Dutch East Indies and French Indo-China. It has marine radio service stations at Chatham, Mass., New York City, Tuckerton, N. J., Galveston, San Francisco, Los Angeles, Chicago and Cleveland. The Chatham station is probably the most powerful marine radio station in the world, regularly communicating with ships thousands of miles distant. Radio stations on 900 vessels are controlled by the Radio Corporation of America.

Three important announcements were made recently. One was that the Radio Corporation of America had gained 7% last year in its world-wide message business; second, that the Radio Corporation of America expected to open a short-wave beam station on Long Island; and third, that jointly with the Marconi Company of Canada, it was projecting a short-wave beam system between Montreal and New York. If this last-named plan is accomplished and should it be successful, there will be a land as well as a sea regular short-wave beam service. Undoubtedly beam circuits would be continued to other cities.

It is no secret that for some time there has been competition between radio transmission, on the one hand, and, on the other, telegraph and cable systems. The Mackay interests, owning both cable and telegraph lines, have early bestirred themselves to meet this competition which indicates great future possibilities. The Postal Telegraph & Commercial Cable Company has formed the Mackay Radio & Telegraph Company to establish a trans-continental radio system. Through its contract connections with the Federal Telegraph Company the Mackay interests claim rights to the use of apparatus and circuits using thermionic tubes. According to a statement made by Clarence H. Mackay, recent decisions handed down by Judge Hugh Morris in the Federal Court at Wilmington, Del., and by the U. S. Circuit Court of Appeals at Philadelphia against the General Electric Company, will be of great benefit to the Mackay companies in allowing independent tube manufacturers to construct radio devices.

As planned, the Mackay radio system will run from New York through Chicago, Kansas City and Denver to San Francisco. Other circuits are planned to extend from Chicago through St. Louis, Memphis and Birmingham to New Orleans; from Kansas City through Dallas to Galveston; and from New York through Norfolk, Savannah and Jacksonville to Miami. The Federal Radio Commission has already assigned forty-two short-wave lengths to the Mackay system which plans to apply twelve short-wave lengths to extend ship to shore communication on the Atlantic coast. The Mackay company announced its intention to apply for fifty short-wave lengths for additional circuits in the United States. At the same time the Mackay company declared its purpose of developing trans-Atlantic radio as soon as possible, and stated that the most important of its future applications for wave lengths would be for this purpose. The Mackay company added that while it was obviously impracticable to inaugurate a comprehensive system of radio communication, the Mackay system intended to proceed with its plans in good faith.

Precisely what does this final sentence mean? Does it signify a severe rate war between the two corporations and a long-drawn conflict in which one or the other will emerge triumphant? Or does it indicate the belief that the message business is so increasing that there will be profitable room enough for both? Or, again, are present happenings only the prelude to an eventual coalition of telegraph, cable and radio companies? It was recently reported, after the Radio Corporation of America had made public its plans for an inter-city land wireless message system that both the Postal and Western Union telegraph companies had signed agreements to transmit land messages from the wireless system. Experts believe that it is only a matter of time when the already proved invention of wireless transmission of facsimile messages will supplant the present code system. Machines will then accomplish in shorter time and at lesser cost what skilled labor now performs.

There is also another new factor which may appreciably affect both cable and radio systems. This is trans-Atlantic radiophone service which was started only a year ago. According to a recent statement of the American Telephone & Telegraph Company this service enters its second year with the whole United States, Canada and Cuba in direct telephone communication with Great Britain, and with extensions to Continental points a probability in the near future. The statement said that atmospheric conditions were met so successfully that the daily period of service, originally planned for 4½ hours, was later extended to 10½ without lessening efficiency of service. Further, the statement reported a steady upward trend of calls, the figures practically doubling from April to the end of the year 1927, and the character of the calls changing from messages of a social, to communications of a business nature.

New Factor in Iron Industry

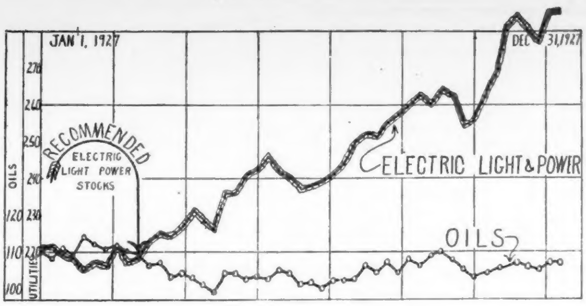
If there has been any industry which appeared to have reached the summit of progress it was that of wrought iron manufacture. Apparently there could be no further methods developed in the making of this product. But now this industry is confronted by a new invention, the Aston process, owned by A. M. Byers & Company of Warren, O.

At present wrought iron is elsewhere being made by the hand puddling process. The large amount of labor required and the limited size of the furnace keep the cost far above steel, although the product is superior in its resistance to corrosion and crystallization. By the customary method of wrought iron production, pig iron is refined in a small furnace and stirred by hand until intermingled with slag. When in a molten state the iron is removed in balls weighing from 100 to 300 pounds, and squeezed and rolled into strips called muck bar. These strips are cut into short lengths and placed in small piles with scrap. The piles are reheated and then rolled into the type of product needed.

The Aston process eliminates such an elaborate and costly method. This process refines liquid pig iron in a Bessemer converter in which slag is inserted. The contents are then withdrawn in the form of a ball the weight of which may be as much as 2,000 pounds. The ball is then squeezed but there is no necessity under the process of cutting and piling before the final rolling is made. All of the high cost manual labor is dispensed with by the Aston process which places the manufacture of wrought iron on a large-scale production basis comparable with steel. All of the A. M. Byers & Co. pipe is made from genuine wrought iron and obtains prices averaging 65% more than steel pipe. The announcement was recently made that if the Aston process continued to develop successfully, the company would be able to lower costs greatly, would be in a position to reach a wider market, and might enter into the production of other iron products.

In various other lines new processes and inventions have been making noteworthy transformations. A few years ago silk was regarded as a product which could not be duplicated by any manufactured resemblance. When rayon or artificial silk was invented the silk trade was alarmed at the prospects of its becoming a substitute or at any rate an effective competitor. Some silk dealers thought that their trade would almost be ruined. But rayon has made an original field for itself in no way conflicting with silk. It has taken its place as a recognized and distinct fiber having its own intrinsic merits and special uses. Instead of driving out silk it is often used in combination with silk and cotton. There has been, however, considerable substitution of rayon for cotton yarn especially in New England where it has contributed to decreasing the number of active spindles. Rayon's growing use has been shown by rising volume of production. From 5,847,000 pounds of rayon produced in the United States in 1918, the industry grew year by year

(*Please turn to page* 704)



Which Stocks

are the RIGHT stocks, now?

This market continues full of cross-currents, some stocks going DOWN at the same time other stocks go UP.

To profit in a market like this, one must select the *right* stocks. See for instance —diagram at top—how much more profitable American Securities Service consistent recommendations of electric light and power stocks throughout 1927 have been than if the same funds were in oils.

This is the market ahead, highly selective, in which each stock must be analyzed on its own merits, one by one.

Which of these individual stocks are soundest as to industry, offer the best expansion, and hence are the RIGHT stocks now—

General Motors?	U. S. Steel?	Int. Tel. & Tel.?
Pan-American B?	Elec. Power & Lt.?	United Gas Improvt.?
Vivaudou?	Elec. Bond & Share?	Loose-Wiles Biscuit?
Dodge Bros.?	Lago Oil & Trans.?	Erie Railroad?
Ches. & Ohio?	Missouri Pacific?	Porto Rican Tob.?
Byers?	Gimbel Bros.?	Willys-Overland?

American Securities Service has just prepared for clients a clear-cut analysis, based soundly on facts, of the outlook and possibilities for profit in each of these stocks.

Every investor holding, or interested in, these stocks may have a sample copy of this valuable analysis, free, as long as the supply lasts.

Clip Coupon at Right

American Securities Service

1033 Corn Exchange Bank Bldg.
New York

AMERICAN SECURITIES SERVICE
1033 Corn Ex. Bank Bldg., New York

Kindly send me your latest *"Stock Market Outlook"*, also copy of *"Making Profits in Securities"*, both free.

Name ....

Address ....

(*Continued from page* 702)

reaching 51,792,000 pounds in 1925; 62,575,000 pounds in 1926; and 77,000,000 pounds in 1927.

Manifold synthetic products invented have brought about extraordinary changes not only in American industry but in the exporting trade of distant countries. To have predicted a decade ago that camphor, a natural article in use for ages, would be supplanted by a product of man's ingenuity, would have been considered an aberration. Today the United States is largely supplied by synthetic camphor. Placed on the market five years ago synthetic lacquer, a cellulose derivative, has made phenomenal progress in displacing varnish gums formerly imported from the Orient. Artificial leather, also made from cellulose, has widely taken the place of real upholstery leather and has been of particular value to the automobile industry.

Synthetic nitrogen has caused a noticeable decline in consumption of Chilean nitrate which so long was such a rich and unrivalled natural monopoly. In extent and value of production synthetic perfumes now much exceed the making of perfumes from natural floral essences. These are but a few of the diverse list of synthetics. And finally there is synthetic oil made from coal liquefaction process. Experiments in Europe have reached such a stage of commercial practicability that, according to undenied reports, the Standard Oil Company of New Jersey has combined with the German dye trust for the production of synthetic petroleum.

It is to the investor's interest to keep fully informed of these and other changes as they occur and not to wait until he sees them retrospectively. Delay in estimating the force of industrial events may result in impairment of his holdings. Of all persons the investor can least afford to depend upon tradition. Often it happens that after a particular industry has been experiencing the effect of inventive changes, the reputation it long held as a dominating profit maker survives as a tradition to cloud the investor's mind. The obvious moral is that each industry should be studied by itself, the trend of affairs duly noted, and judgment exercised as to their probable significance.

UNDER THE HIGH WAGE TREE

(*Continued from page* 663)

for the investment of capital here, so that it has them obliged to go abroad to find use?

It is true, of course, that the interest on this money comes back to us, but that is a rather slow process.

Judging from past experience, the slight slowing down of trade in 1927, which is apparently continuing to some extent into 1928, is no more—in fact, considerably less—than would naturally be expected after two active years. It may have been due merely to such influences as the Mississippi Valley floods, the Ford shut-down, the moderate decline in building activity due to catching up with the housing shortage. The actual condition of business, so far at least, certainly affords no ground for uneasiness.

Such is the natural optimism and progressiveness of the average American, that anything less than the best business he ever did impresses him as unsatisfactory. He is attuned to continual growth.

He sees many houses for rent; many small dealers going out of business; some increase in unemployment; interest rates very low and a consequent rush of money into stock exchange securities, carrying many of them to prices that seem to him unjustified; a great increase in loans on securities, because other lines of business are not active enough to put the money to profitable use; large unproductive expenditures for radios, pianos, pleasure cars, in motion picture theatres, for public improvements, for splendid new roads—which are in most cases productive but may not seem so.

Remembering the panics and depressions of the past, he asks, Can this go on? Or are we riding for a fall?

In general, the answer is that it can go on, not without some moderate reactions and irregularity from time to

(*Please turn to page* 706)

(Continued from page 704)

time, but without serious depressions. Abundance of housing, low interest rates, high prices for securities and big loans on them, liberal expenditures for luxuries, are the perfectly natural results of increased production. We are catching more fish with the new fish hook. We have more because we are creating more.

Purchases on installments will continue and very likely increase further, for abundance of capital and low money rates make it possible to finance them so economically that even the buyer who has plenty of money may find it to his advantage to make use of that plan. I know a man worth probably half a million who has just bought a car on the installment plan; he pays 6% interest on the balance, and figures that money is worth more than 6% to him.

Capital goes abroad for investment simply because our rapidly accumulating surplus can be used there more profitably. When it is needed here, a higher rate of interest, which will develop naturally in response to the need, will keep it here. The export of capital temporarily reduces the amount which is paid out as wages at home, but the steady growth of our wealth tends to take up the slack. In the meantime we are building up an increasing return flow of interest payments, which even now balance a considerable part of the annual outflow of capital to foreign countries. And we get these interest payments without directly working for them. Further, some of our exported capital comes back to us in payment for goods bought here for foreign account.

It is impossible, within the limits of this article, to trace out the ramifications of our foreign trade and foreign loans, but the gist of the matter is that it is only when we begin to export gold in large amounts that wage payments in this country are materially affected.

Brokers' loans are just now the subject of active discussion, yet they do not seem large when compared with the total value of listed stocks. In March, 1926, brokers' loans reached 10.2% of listed stock values, and at the end of 1927 they were 8.4%. And as some considerable part of brokers' loans are upon other securities, outside of listed stocks, the actual figures would be less than those quoted.

There is just one thing which could seriously check American prosperity: An interruption or slowing down in that exchange of dollar-values of goods which has now become so smooth and rapid. For prosperity, the dollars must keep moving. Each one of us is making things for others and the others are making things for us. So long as we keep on making these things, transporting them to each other, and swapping them steadily, promptly and without stopping to argue, we all get what we all make—we are prosperous.

In 1907, the free flow of exchange was interrupted by a money panic—the Federal Reserve Bank system has laid that spectre to rest. In 1914 the World War broke out—perhaps that could happen again, though for myself I am inclined to doubt it. At any rate, the present prospect for international relations, political, economic and financial, is more promising than at any previous time since the war. In 1920 and 1921 we suffered a commodity price collapse which was a postponed result of the war inflation—commodity prices are not inflated now.

If we were to get fighting over the division of our profits; if employers were to start unjustly cutting wages, or if employees generally or in large numbers were to strike for higher wages than industry could afford to pay them; or if dissatisfied producers in any industry were to upset the apple-cart by obtaining political control in their own interest, we could have a depression, certainly, proportional in severity to the extent of the disturbance. But at present none of these hypothetical difficulties is in sight.

It is doubtless unnecessary to add that this generally optimistic view of conditions by no means implies that we could not have a bear market on the stock exchange. So long as human nature remains what it is—and it changes with painful slowness—stock prices will be too high at some times and too low at other times. But I believe that bear markets will be more limited than formerly, both in duration and in extent of fall, and that security prices in general will be more steadily maintained.

$10,000,000

Keith-Albee-Orpheum Corporation

(A HOLDING COMPANY)

(Incorporated under the laws of the State of Delaware)

7% Cumulative Convertible Preferred Stock

Convertible, at any time up to and including the date upon which it shall have been called for redemption, into shares of Common Stock of the Corporation, in the ratio of one share of Preferred Stock for three shares of Common Stock.

Preferred as to dividends, and as to assets to the extent of $110 per share plus accrued dividends on liquidation. Dividends payable quarterly, cumulative from January 1, 1928. Redeemable in whole or in part at $110 per share, plus accrued dividends. The Corporation agrees on or before December 31 of each year beginning with 1929 to acquire by redemption or purchase at not exceeding the redemption price, out of surplus or net profits after dividends on such Stock, at least 3% of the largest amount in par value of the Convertible Preferred Stock which shall ever have been issued and outstanding.

CAPITALIZATION

(of the Holding Company)	*Presently to be Authorized*	*Presently to be Outstanding*
6% Debentures, due Sept. 1, 1928, to Jan. 1, 1933, inclusive	**$ 939,000**	**$ 939,000**
7% Cumulative Convertible Preferred Stock ***(Par Value $100 Per Share)***	**$10,000,000**	**$10,000,000**
Common Stock ***(No Par Value)***	**2,000,000 shs.**	**1,100,104 shs.***

Mr. E. F. Albee, President of the Keith-Albee-Orpheum Corporation, has summarized in part his letter regarding the Corporation as follows. Copies of this letter may be had from the undersigned upon request:

BUSINESS

"The proposed consolidation of the Keith-Albee and the Orpheum interests will unite the two leading factors which have developed vaudeville from its beginning, each in a distinct territory. In almost all of the houses programs comprising both vaudeville and motion pictures are now presented. The uniting of these two circuits will form a great chain of theatres, in both the United States and Canada, extending from the Atlantic to the Pacific Coasts, and will provide a single vaudeville booking office for these as well as independently owned theatres.

The theatres in which the two circuits have an interest, can play to over 1,000,000 persons daily. The two booking agencies furnish the vaudeville entertainment for a majority of the higher class vaudeville theatres in the United States and Canada.

ORGANIZATION

The Keith-Albee-Orpheum Corporation has been recently incorporated to acquire all of the outstanding stock of the B. F. Keith Corporation, Greater New York Vaudeville Theatres Corporation and the Vaudeville Collection Agency, at least 80% of each class of stock of the B. F. Keith-Albee Vaudeville Exchange (which four Corporations are referred to as the Keith Companies), and at least 80% of the common stock of the Orpheum Circuit Inc.

THE KEITH & ORPHEUM COMPANIES

The Keith Circuit, founded in 1883 with one theatre, now numbers 46 theatres owned or leased by wholly-owned subsidiaries, of which 18 are owned in fee (including three under construction) and 28 are leased (including four under construction), and in addition 115 theatres owned, leased or operated by companies in which the B. F. Keith Corporation owns varying amounts of stock. In 19 of the latter theatres it has a stock interest of 50% or more. This chain of theatres extends from Eastern Canada south as far as Washington, D. C., and Louisville, and west to Detroit and Indianapolis.

Among the more important theatres owned in fee by wholly-owned subsidiaries are the following, with their respective seating capacities: Fordham (2391), Coliseum (3107), and Franklin (2951), in New York; Albee (3241) and Prospect (2433), in Brooklyn; Keith-Albee (1935) in Washington; and Keith's (2600) in Ottawa.

The fifty theatres owned or leased by the subsidiary and affiliated companies of Orpheum Circuit Inc. have a total seating capacity of approximately 112,000. Among these are fourteen theatres which are owned in fee, and five theatres owned on leased land, by wholly-owned subsidiary companies. These include the Golden Gate (2800) at San Francisco, Hillstreet (3000) at Los Angeles, New Orpheum (2600) at Seattle, Mainstreet (3000) at Kansas City, Hennepin-Orpheum (3000) at Minneapolis, and New Orpheum (3000) at Omaha. Among the thirty-one theatres under lease by subsidiary or affiliated companies of the Orpheum Circuit Inc. are the following leased by wholly-owned subsidiaries, each of which has between 2350 and 3200 seats: the New Palace, State-Lake and Belmont in Chicago, the Palace and the Granada in South Bend, and the New Orpheum theatres in Los Angeles, Springfield, Ill., Madison, Sioux City, and Vancouver, B. C.

EARNINGS AND ASSETS

The combined earnings of the Keith Companies and Orpheum Circuit Inc., and their predecessor and subsidiary companies, exclusive of earnings applicable to stock of B. F. Keith-Albee Vaudeville Exchange and preferred stock of Orpheum Circuit Inc. not proposed to be acquired by the new Corporation, as certified by Messrs. Price, Waterhouse & Co., after the adjustments enumerated in their certificate attached to the President's letter, were as follows:

Year Ended Dec. 31	Combined Earnings as above	Times Pfd. Div. Req.
1922	$1,357,546.71	1.9
1923	3,130,625.90	4.4
1924	3,921,635.02	5.6
1925	3,734,025.35	5.3
1926	3,813,104.89	5.4
Eight Months Ended Aug. 31, 1927	1,924,865.44	4.1

While final audited figures are not yet available, the management estimates that the combined earnings for the calendar year 1927, computed in the same manner as the earnings above, were approximately $2,600,000, or 3.7 times the preferred dividend requirement. The decrease in earnings in 1927 from the earnings of 1926 is attributable to certain abnormal conditions that obtained during the last year, which are not expected to continue or recur.

With the consolidation of the two groups of companies, and the many advantages and savings expected to result therefrom, the operation of a larger number of the theatres of the Circuit with a policy of combining vaudeville and motion pictures at popular prices, the carrying out of other plans and policies designed to meet new developments in the business, and the additional profits anticipated from nine new theatres opened during the last half of 1927, and nine new theatres expected to be completed during the present year, there is every reason to believe that the earnings of the Keith-Albee-Orpheum Companies will show a substantial increase in this and following years.

The new Corporation's consolidated balance sheet as of August 31, 1927, as certified by Messrs. Price, Waterhouse & Co., after giving effect to the transactions therein referred to, shows net assets of $31,859,236 or over $318 per share of Convertible Preferred Stock.

*** It is anticipated that all or substantially all of the common stock of Orpheum Circuit Inc. now outstanding will be acquired by the new Corporation and all calculations in this advertisement have been based upon the assumption that the acquisition of the entire outstanding common stock will be effected. In the event that less than the entire common stock of Orpheum Circuit Inc. now outstanding is acquired by the new Corporation, the proportionate net assets and earnings of Orpheum Circuit Inc. applicable to the holdings of the new Corporation in that Company and the amount of outstanding Common Stock of the new Corporation will be reduced accordingly.**

Application will be made to list both the Preferred and Common Stocks on the New York Stock Exchange.

Price $101 Per Share and Accrued Dividend

In connection with the above we are also offering a limited amount of Common Stock

This offering is made in all respects, when, as and if issued and delivered to and accepted by us and subject to the approval of our counsel. We reserve the right to reject any and all subscriptions in whole or in part, to allot less than the amount applied for, and to close the subscription books at any time without notice. It is expected that delivery of temporary stock certificates or of interim receipts will be made on or about February 24, 1928, at the office of Lehman Brothers, 16 William Street, New York, N. Y., against payment therefor in New York funds.

LEHMAN BROTHERS

HALLGARTEN & CO. **EDWARD B. SMITH & CO.**

The above statements are not guaranteed, but are based on information which we believe to be true.

New York Stock Exchange

RAILS

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1927		1928		Last Sale 2/2/28	Div'd $ Per Share
	High	Low	High	Low	High	Low	High	Low		
Atchison	125⅝	90¼	111¼	70	200	91¾	195¾	186⅛	186⅝	7
Do Pfd.	106¾	96	102⅛	75	106¾	72	105¼	102½	†164½	5
Atlantic Coast Line	148½	102½	126	79⅞	268	77	186¼	182½	183	‡7
Baltimore & Ohio	122¼	90⅝	96	88¼	125	27⅝	119	113	113⅜	6
Do Pfd.	96	77¼	80	48¼	83	38½	84	81½	†81½	4
B'klyn-Man. Transit	..	..	..	..	77⅞	9¼	62	53⅜	59½	4
Do Pfd.	..	..	..	..	89¾	31⅜	88	82	86½	6
Canadian Pacific	283	165	220⅛	126	219	101	215¾	202¼	205¾	10
Chesapeake & Ohio	92	51⅛	71	35⅝	218½	46	205¼	194	195¾	10
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	3¼	20⅞	16	16	..
Do Pfd.	181	130⅛	143	62½	76	7	39	31	31	..
Chi. & Northwestern	198½	123	136⅞	35	105	45⅞	88⅛	83	83⅛	4
Chicago, R. I. & Pacific	..	..	45¾	16	116	19⅛	112¼	108	109	5
Do 7% Pfd.	..	..	94¾	44	111¾	64	110	100½	†106	7
Do 6% Pfd.	..	..	80	35¾	104	54	102½	102	102⅛	6
Delaware & Hudson	200	147½	159½	87	230	83¼	186	173	173	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	140	133	133	6
Erie	61¼	33½	59½	18¾	69¾	7	66½	57⅝	57¾	..
Do 1st Pfd.	49¾	26¼	54¾	15⅛	66¼	11⅛	63⅞	59½	59½	..
Do 2nd Pfd.	89⅛	19½	45⅝	13⅛	64½	7⅛	62	59½	†58	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	103⅞	50⅝	98	94¼	94⅜	5
Hudson & Manhattan	..	..	..	..	65⅞	20⅝	57½	51	53¾	3½
Illinois Central	162⅛	102¾	115	85¾	139⅜	80⅞	144¾	131¾	139	7
Interboro Rap. Transit	..	..	..	..	53¾	9½	37¾	29	36	..
Kansas City Southern	50¼	21⅜	35⅛	13½	70½	13½	63¼	55	56¼	..
Do Pfd.	75½	56	65½	40	73½	40	73⅞	72½	72½	4
Lehigh Valley	121¼	62½	87⅛	50⅝	137½	39⅛	97¾	89	89½	3½
Louisville & Nashville	170	121	141⅞	103	159⅛	84¾	155	148½	149⅞	7
Mo., Kansas & Texas	*51⅛	*17½	*24	*3⅛	56⅛	*¾	41⅛	35⅜	36	..
Do Pfd.	*78¼	*46	*60	*6⅛	109½	*2	108¾	107	107	6
Missouri Pacific	*77½	*21⅛	38⅛	19⅞	62	8¼	53	46⅛	46⅝	..
Do Pfd.	..	..	64⅞	37½	118⅝	22¼	115⅝	109	110	..
N. Y. Central	147¾	90⅜	114¼	62½	171⅛	64⅛	164½	158⅜	158⅜	8
N. Y., Chi. & St. Louis	109¾	90	90¾	55	204½	23¾	137½	128	131½	6
N. Y., N. H. & Hartford	174¾	65⅝	89	21⅛	63⅜	9⅝	66¾	59⅝	65	..
N. Y., Ontario & W.	55⅜	25⅛	35	17	41¾	14¼	32¾	25	25	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	202	84¼	192	184¼	185½	8
Northern Pacific	150½	101¾	118⅞	75	102⅛	47⅞	98⅞	94	94	5
Pennsylvania	75⅝	53	61⅛	40¼	68	32¼	65¼	64⅜	64½	3½
Pere Marquette	*36½	*15	38⅛	9½	140¾	12⅛	129½	125	128	6
Pittsburgh & W. Va.	..	..	40⅜	17¾	174	21⅛	147⅜	134	134⅝	6
Reading	89⅝	59	115½	60⅛	123¾	51⅞	105⅛	98	99	4
Do 1st Pfd.	46¾	41¼	46	34	61	32⅞	43	42⅝	†43	2
Do 2nd Pfd.	58¾	42	52	33¾	*65	32⅛	45⅛	44	44	2
St. Louis-San Fran.	*74	*13	50⅛	21	117¼	10¾	115⅞	109½	111½	7
St. Louis Southwestern	40⅜	18⅛	32⅛	11	93	10⅞	79⅞	70¼	72½	..
Seaboard Air Line	27½	13¼	22⅜	7	54¼	2⅛	30⅛	23⅝	23⅝	..
Do Pfd.	56½	23½	58	15⅛	51⅛	3	38	83½	34	..
Southern Pacific	139⅛	83	110	75¾	126⅞	67½	124	118⅝	119	6
Southern Railway	34	18	36¾	12½	149	24¾	147	142¼	143	8
Do Pfd.	86⅞	43	85¼	42	101⅛	42	102¼	100	100	5
Texas & Pacific	40½	10¼	29½	6⅛	103⅞	14	119¾	99½	118	..
Union Pacific	219	137¾	164⅜	101¼	197¾	110	193	187¾	187¾	10
Do Pfd.	118½	79¾	86	69	85½	6¼	87¼	84⅜	86	4
Wabash	*27⅞	*2	17½	7	81	6	66⅞	60¼	60¾	..
Do Pfd. A	*61¾	*6⅛	60½	30⅞	101	17	95	93	†91	5
Do Pfd. B	..	..	32⅞	18	98	12¼	92⅛	88	†86	5
Western Maryland	*56	*40	23	9¼	67⅞	8	50¼	39¼	41	..
Do 2nd Pfd.	*88¼	*53½	*58	20	67½	11	50	41	42	..
Western Pacific	..	..	25½	11	47½	12	37½	32⅛	32⅛	..
Do Pfd.	..	..	64	35	86½	51½	62⅛	59	60⅛	..
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	130	6	70	70	70	..
Do Pfd.	..	..	50⅝	16⅝	97	9¼	77	77	†77	..

INDUSTRIALS

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1927		1928		Last Sale 2/2/28	Div'd $ Per Share
	High	Low	High	Low	High	Low	High	Low		
Adams Express	270	90	154½	42	210	22	295	195	270	6
Ajax Rubber	..	..	89⅛	45⅛	113	4¼	14⅜	11¾	13½	..
Allied Chem. & Dye	..	..	..	..	169¼	34	158½	151¼	154¾	6
Do Pfd.	..	..	..	..	124	83	123½	122¼	†123	7
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	118¾	26½	120½	115¼	116	6
Am. Agric. Chem.	63⅝	33½	106	47¾	113¾	7⅛	21⅞	18	19	..
Do Pfd.	105	90	103½	89⅛	103	18	71⅜	62	65¾	..
Am. Beet Sugar	77	19¾	108½	19	103¾	15⅛	17⅞	16¼	16½	..
Am. Bosch Magneto	..	..	..	..	143⅞	13	22⅞	17⅜	17⅜	..
Am. Can	47⅜	6⅞	63½	19¼	*344½	*21¾	178	70⅛	75½	2
Do Pfd.	129¼	98	114½	80	141¾	72	140	136¾	†139	7
Am. Car & Foundry	76½	36½	98	40	*201	97½	111½	105	109⅛	6
Do Pfd.	124¾	107½	119½	100	134¾	105¾	131¼	131	†133	7
Am. Express	300	94¾	140½	77½	183	76⅛	191½	169	182	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	15⅝	10¾	15¼	..
Do Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¾	67⅜	55	66½	..
Am. Ice	..	..	49	8⅞	*139	25¾	34⅜	28	33⅞	2
Am. International	..	..	62¾	12	132¼	17	89	71	78¾	2
Am. Linseed Pfd.	47¾	20	92	24	113	4¼	93¾	86½	92⅞	..
Am. Locomotive	74¾	19	98¼	46⅝	144⅞	58	115	109⅝	113⅛	8
Do Pfd.	122	75	109	93	127	96½	128	125½	127¾	7
Am. Metal	..	..	..	..	67⅜	36⅛	46½	42	45	3
Am. Radiator	*500	*200	*445	*235	*345	64	138⅞	130½	135	5
Am. Safety Razor	..	..	..	..	76¾	*3⅛	58⅝	56	56⅜	4

Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1927 High	Post-War Period 1919-1927 Low	1928 High	1928 Low	Last Sale 2/2/28	Div'd $ Per Share
Am. Ship & Commerce	..	..	..	..	47½	2½	4¼	3⅞	4	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	188¾	29¼	184½	172¾	176⅛	8
Do Pfd.	74½	24⅛	95	44	133	18	134⅝	131⅜	134⅝	7
Am. Steel Foundries	116¾	98¼	118⅞	97	122⅝	41½	70⅝	63⅝	66	3
Do Pfd.	..	..	..	..	115	78	115	112¾	113¾	7
Am. Sugar Refining	136⅝	99⅞	126½	89⅛	143⅝	36	78¼	70½	73	5
Do Pfd.	133½	110	123½	106	119	67½	110¼	108½	110	7
Am. Tel & Tel.	153⅜	101	134½	90⅝	185½	92⅛	181	178¼	179⅜	9
Am. Tobacco	*530	*200	*256	*123	*314½	82½	176	165	169	8
Do Com B.	..	..	..	..	*210	81¼	177	165¼	168	8
Am. Water Works & Elec.	..	..	..	..	*144	*4	61	56⅝	57	‡0.80
Am. Woolen	40⅝	15	60⅞	12	169½	16½	23¾	20⅛	22½	..
Do Pfd.	107¾	74	102	72½	111⅞	46⅞	56⅛	49⅞	54	..
Anaconda Copper	54⅜	27½	105⅜	24¼	77⅞	28½	59⅜	53¾	56¾	3
Associated Dry Goods	..	..	28	10	140⅛	39½	48¾	45¼	46	2½
Do 1st Pfd.	..	..	75	50½	112	49⅞	112½	111	111	6
Do 2nd Pfd.	..	..	49½	35	114	38	119½	115¼	†112	7
Atl. Gulf & W. Indies	13	5	147¾	4½	192⅝	9¼	45⅝	39	43¼	..
Do Pfd.	32	10	74¾	9⅞	76½	6¾	44⅝	39	†42	..
Atlantic Refining	..	..	..	..	*1575	78½	109⅞	103	103	4
Austin Nichols	..	..	..	..	40⅜	4¼	6⅛	4	5¼	..
Do Pfd.	..	..	..	..	95	23⅛	39	26	34½	..
Baldwin Locomotive	60¾	36½	154½	26⅝	265¾	62¼	258	250	†249	7
Do Pfd.	107½	100¼	114	90	125¼	92	121	119¾	†120	7
Bethlehem Steel	*51⅝	*18¾	155½	59¾	112	37	59¼	55½	57	..
Do 7% Pfd.	80	47	186	68	108	78	121	120	120¼	7
Brooklyn Edison Electric	134	123	131	87	225	82	235½	206¾	230¼	8
Brooklyn Union Gas	164½	118	138¾	78	157⅛	41	156¼	147¼	154	5
Burns Brothers	45	41	161½	50	147	76	99⅞	99	†96¼	8
Do. B	..	..	..	..	53	16¼	17	16⅞	†16¾	..
Butte & Superior	..	..	105¼	12¼	37⅞*	6½	10⅛	9	10⅜	2
California Packing	..	..	50	30	*179½	48¼	79½	74	75⅝	4
California Petroleum	72½	16	42⅝	8	*71⅞	15⅜	26⅞	24	26⅛	1
Cerro de Pasco Copper	..	..	55	25	73⅛	23	69⅞	64¾	65⅝	4
Chile Copper	..	..	39¼	11¼	44⅜	7	42⅞	40	40⅝	2½
Chrysler Corp.	..	..	..	..	*253	38⅛	63	54¾	56¾	3
Do Pfd.	..	..	..	..	116	100½	115⅛	113⅜	†114	8
Coca Cola	..	..	..	..	177¾	18	137⅝	127¾	133⅞	5
Colorado Fuel & Iron	53	22½	66⅛	20½	96⅜	20	84½	76	81½	..
Columbia Gas & Elec.	..	..	54⅛	14¼	*114⅞	30¼	97⅜	89⅝	96	5
Congoleum-Nairn	..	..	..	*184⅜	*184⅜	12½	29⅛	24¾	25⅛	..
Consolidated Cigar	..	..	..	..	87¼	11⅜	85	81¼	82½	7
Consolidated Gas	*165¼	*114½	*150½	*112½	*145¾	56¾	128½	119⅝	126¼	5
Continental Can	..	..	*127	*37½	*131¾	34⅜	87¼	80¼	85¾	5
Corn Products Refining	26½	7⅜	50½	7	*160½	21½	71⅝	64⅜	69⅜	2
Do Pfd	98½	61	113½	58⅛	142¼	96	140⅜	138½	139½	7
Crucible Steel	19⅝	6½	109⅞	12¼	*278½	48	90	84½	87¼	6
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	4⅞	7¼	6⅛	6¼	..
Do Pfd	..	..	100½	77¼	87	13⅛	32⅜	27½	27½	..
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	23¾	21	21¼	1
Cuyamel Fruit	..	..	..	..	74½	30	55¾	51	†52½	..
Davison Chemical	..	..	..	..	81¼	20⅜	46⅝	41⅛	42½	..
Dupont de Nemours	..	..	..	..	*360	105	323⅞	310	316	10
Eastman Kodak	No Sales		*605	*690	*690	70	169	163½	166¾	‡5
Electric Storage Battery	*64¼	*42	*78	*42¼	*153	37	75¾	69⅛	70¾	5
Endicott-Johnson	..	..	..	..	150	44	82⅛	75¾	81⅛	5
Do Pfd	..	..	..	..	125	84	124¾	121¼	†122	7
Fisk Rubber	..	..	..	..	55	5½	17¾	16	16¼	..
Do 1st Pfd	..	..	..	..	116½	38⅛	91½	89¼	90	7
Fleischmann Co.	..	..	..	..	*171½	46⅛	74½	68¼	72½	3
Foundation Co.	..	..	..	..	183¾	35½	51¾	43	48½	..
Freeport-Texas	..	..	70½	25¾	106½	7½	109¼	100½	101½	4
General Asphalt	42⅞	15½	39⅜	14¼	160	28	93¼	81	84½	..
General Cigar	..	..	..	..	*115¼	46	74⅝	67	73⅝	4
General Electric	188½	129¾	187¼	118	*386½	81	138¼	129⅛	130½	4
General Motors	*51¾	*25	*850	*74½	*282	*8⅛	139½	130	133½	5
Do 7 Pfd.	..	..	..	125¾	125¾	95⅛	126⅝	123½	124¼	7
Goodrich (B. F.) Co.	86½	15½	80¼	19⅝	96½	17	99⅜	86½	92½	4
Do Pfd	109¾	73⅜	116¾	79⅞	111½	62½	112	116¼	†111¼	7
Goodyear T. & R.	..	..	..	..	72½	5	72½	65⅞	68½	..
Do Pfd	..	..	..	..	99⅛	92½	99½	97¾	99½	7
Granby Consolidated	78¼	26	120	58	80	12	43½	39½	40½	..
Great Northern Ore Ctfs	88½	25½	50⅜	22½	52¾	18	25	22¼	23⅞	1½
Gulf States Steel	..	..	137	58¾	104⅝	25	54	51	52¾	..
Houston Oil	25½	8	86	10	175¾	40½	156⅛	144¼	146⅛	..
Hudson Motor Car	..	..	..	..	139½	19½	89	75	86⅞	5
Hupp Motor Car	..	..	11	2½	36¼	4⅝	41⅜	29	39	1.40
Inland Steel	..	..	..	..	62⅜	31⅛	63	56¾	57⅝	2½
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	20¾	21⅝	18½	19⅝	..
Inter. Business Mach.	..	..	52⅝	24	*176¼	28¾	130½	114	129⅛	5
Inter. Combustion Eng.	..	..	..	..	69½	19⅝	55⅞	49	52⅛	2
Inter. Harvester	..	..	121	104	255⅝	66¾	247¾	231½	236	‡6
Inter. Mercl. Marine	9	2⅛	50⅝	⅝	67¾	3½	5⅜	4⅛	4⅜	..
Do Pfd	27⅝	12½	125⅝	8	128½	18½	44⅝	38¾	38⅛	..
Inter. Nickel	*227¼	*135	57½	24½	89½	24¼	99¾	81¼	96⅞	2
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	76¼	67⅛	70¾	2.40
Kelly-Springfield Tire	..	..	85	36⅞	164	9	27⅜	22½	24⅛	..
Do 8% Pfd.	..	..	101	72	110	33	84	78	†80	..
Kennecott Copper	..	..	64¼	25	90⅜	14⅝	87	80⅞	82¼	5
Kinney (G. R.) Co.	..	..	..	..	103	19¾	52	38½	†44	..
Lima Locomotive	..	..	..	..	76⅜	49	65¼	59	60⅛	4
Loew's Inc.	..	..	..	..	68⅞	10	63⅞	57	60½	2
Loft, Inc.	..	..	..	..	28	5	7	6	6½	..
Lorillard (P.) Co.	*215¼	*150	*239⅞	*144⅛	*245	23½	40¼	36⅛	38⅛	..

New York Stock Exchange

Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1927		1928		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	High	Low	2/2/28	Share
Mack Trucks	..	..	..	..	242	25½	107⅞	98½	103¼	6
Magma Copper	..	..	..	..	58¾	26½	56½	49⅜	51⅜	3
Mallinson & Co.	..	..	..	..	45	8	19⅜	16	18⅞	..
Maracaibo Oil Explor.	..	..	..	..	37½	12	18⅛	15⅝	15⅝	..
Marland Oil	..	..	..	..	63⅜	12⅛	38⅛	34⅝	35¾	..
May Department Stores	*88	*65	*97½	*35	*174¾	*60	85⅝	81	†82¾	4
Mexican Seaboard Oil	..	..	..	..	34½	3	5⅝	4⅝	5⅛	..
Miami Copper	30¼	12¾	49¾	16½	32¾	8	19⅜	12¾	18¼	1½
Montgomery Ward	..	..	..	..	123⅛	12	132	117	130⅛	‡4
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅝	182	162¼	178⅜	6
National Dairy Prod.	..	..	..	..	81⅞	30⅛	72⅛	64½	71⅜	3
National Enam. & Stamp	30¼	9	54½	9	89½	18½	35⅝	25⅛	†28¾	..
National Lead	91	42½	74⅝	44	*202¾	63½	136	126	132	5
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅝	47¾	43½	45¾	3
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	64¼	58½	†61½	..
North American	*87⅞	*60	*81	*38⅞	*119½	17½	62⅛	58⅝	60½	§10%
Do Pfd.	..	..	..	..	55	31⅞	54½	53¼	†53½	3
Packard Motor Car	..	..	..	..	62	9⅞	63½	56½	59⅛	3
Pan.-Am. Pet. & Trans.	..	..	70¾	35	140¼	38⅛	46⅜	41½	†41½	..
Do Class B	..	..	..	..	111¾	34⅛	46¾	42⅛	42¼	..
Paramount-Fam. Players-Lasky	..	..	..	..	127½	40	117⅜	111¼	113¼	8
Do Pfd.	..	..	..	..	124½	66	124	121⅛	†122	8
Philadelphia Co.	59	37	48⅞	21½	153½	26½	160	149½	†160	4
Phila. & Reading C. & I.	..	..	..	..	54¼	34½	39¾	33⅝	34¼	..
Phillips Petroleum	..	..	..	..	69⅝	16	48⅛	40½	40⅞	3
Pierce-Arrow	..	..	65	25	99	6⅛	15⅝	12	†13	..
Do Pfd.	..	..	109	38	127¼	13½	58½	43¾	46½	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅝	29	53½	43	44	..
Postum Co.	..	..	..	..	*134	*47	129⅝	123	126¼	5
Pressed Steel Car	56	18½	88	17¼	113¾	34⅛	26⅞	23	24⅛	..
Do Pfd.	112	88½	109⅛	69	106	67	88	85	†86	7
Pub. Serv. N. J.	..	..	..	..	*98⅞	*29	45	41½	43⅞	2
Pullman Company	200	149	177	106½	*199½	*87¼	85⅝	81⅝	83⅞	4
Punta Alegre Sugar	..	..	51	29	120	24¾	34⅞	31⅛	31⅛	..
Pure Oil	..	..	143⅞	81⅞	61⅞	16¼	27½	19	20⅞	½
Radio Corp. of America	..	..	..	..	101	25⅞	104¾	88½	100¼	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	65½	59	62⅛	4
Do Pfd.	111¼	64½	112⅝	72	106¾	74	110½	105	†110½	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40⅜	48¾	44⅝	46⅝	1.35
Savage Arms	..	..	119¾	39⅞	108⅜	8⅞	75	60⅝	73½	4
Schulte Retail Stores	..	..	..	..	*134⅞	47	53⅞	50½	52¼	3½
Sears, Roebuck & Co.	*124¾	*101	*233	*120	*243	51	89¼	82½	84⅝	2½
Shell Trans. & Trading	..	..	..	..	90¼	29½	42⅞	40⅝	40⅝	.97
Shell Union Oil	..	..	..	..	31¾	12⅛	26⅞	25	25⅛	1.40
Simmons Company	..	..	..	..	64¾	22	66⅞	60½	62⅞	2
Simms Petroleum	..	..	..	..	28½	6½	24¾	22	†22	..
Sinclair Consol. Oil	..	..	67⅛	25¼	64⅛	15	21¼	19	19	..
Skelly Oil	..	..	..	..	37⅛	8⅝	28¼	26⅝	26⅝	2
Sloss-Sh. Steel & Iron	94⅝	23	93¼	19½	148½	32⅛	128	121	†124	6
Standard Oil of Calif.	..	..	..	..	*135	47½	56⅝	54⅜	54⅝	2½
Standard Oil of N. J.	*488	*322	*800	*355	*212	30⅞	40⅛	38⅞	39⅜	1
Stewart-Warner Speed	..	..	*100½	*43	*181	21	85⅛	80⅛	83¼	6
Stromberg Carburetor	..	..	45¼	21	118¼	22⅛	56⅛	44	52¾	2
Studebaker Company	49½	15¾	195	20	*151	30½	63⅝	57	60½	5
Do Pfd.	98⅛	64½	119½	70	125	76	125	122⅞	†123¾	7
Tennessee Cop. & Chem.	..	..	21	11	17¼	6¼	11⅛	10½	10¾	½
Texas Company	144	74½	243	112	58	29	55⅝	53	53⅛	3
Texas Gulf Sulphur	..	..	..	..	*184	32⅝	80⅝	73½	73¾	4
Tex. & Pac. Coal & Oil	..	..	..	..	*275	12	17	14	14¾	.60
Tide Water Oil	..	..	225	165	*195	5½	22¼	20½	20½	.80
Timken Roller Bearing	..	..	..	..	142½	28½	134	126½	127¾	4
Tobacco Products	145	100	82⅜	25	117⅝	45	118¾	106½	107	..
Do Class A	..	..	..	..	123⅞	76	122	115	115	7
Transcontinental Oil	..	..	..	..	62⅝	1¼	10⅛	8½	8⅝	..
Union Oil of Calif	..	..	..	..	58⅜	33	45¼	43¼	44	2
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42½	34	31⅜	31¾	.80
United Drug	..	..	90⅞	64	200½	46¼	204⅞	190	197	9
Do 1st Pfd.	..	..	54	46	61	36⅝	60½	59½	59½	3½
United Fruit	208½	126½	175	105	*294	95¾	142¾	137½	138½	4
U. S. Cast I. Pipe & F.	32	9¼	31⅞	7¾	250	10½	222¼	205	210	10
Do Pfd.	84	40	67½	30	125	38	120	119⅞	†117½	7
U. S. Indus. Alcohol	57¼	24	171½	15	167	35½	110½	102¾	106	5
U. S. Realty & Imp.	87	49¾	63¾	8	*184½	17	66⅜	63	63¼	4
U. S. Rubber	59½	27	80½	44	143¾	22½	63¼	56	59	..
Do 1st Pfd.	123½	98	115½	91	119½	66½	108⅜	104	107⅝	8
U. S. Smelt., Ref. & M'n.	59	30⅜	81½	20	78¼	18⅜	45⅛	40⅛	42¼	3½
U. S. Steel	94⅞	41¼	136⅝	38	160½	70¼	152¾	143⅝	145	7
Do Pfd.	131	102½	123	102	141¼	104	142	138⅝	141	7
Utah Copper	67½	38	130	48½	162	41⅛	158	139	†140	6
Vanadium Corp	..	..	..	..	97	19⅛	74¾	60	71⅛	3
Western Union	86¼	56	105½	53⅜	176	76	177½	169	170	8
Westinghouse Air Brake	141	132½	143	95	*198	40	57⅜	46⅛	54⅞	2
Westinghouse E. & M.	45	24¾	74⅞	32	94¾	38⅞	100⅜	88⅛	95¾	4
White Eagle Oil	..	..	..	..	34	20	24¼	20½	†20⅞	1
White Motors	..	..	60	30	104½	29¼	41⅜	35¾	36½	2
Willys-Overland	*75	*50	*325	15	40¼	4½	20⅞	17¾	19¾	..
Do Pfd.	..	..	100	69	123⅞	23	95¾	92¾	95½	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	15	11½	13½	..
Woolworth (F. W.) Co.	*177⅞	*76½	*151	*81½	*345	72½	194	178⅝	183½	5
Worthington Pump	..	..	69	23½	117	19	34½	28	31⅜	..
Do Pfd. A	..	..	100	85⅞	98½	44	55	46¼	54½	..
Do Pfd. B	..	..	78⅜	50	81	37	49½	41	49½	..
Youngstown Sh. & Tube	..	..	..	..	100⅛	59¾	106⅞	95	100	5

† Bid Price. †† Not including extras. § In stock. *Old Stock.

Securities and Commodities Analyzed, Rated and Mentioned in this Issue

INDUSTRIALS

BONDS

RAILROADS

MINING

PETROLEUM

COMMODITIES

PUBLIC UTILITIES

ANSWERS TO INQUIRIES

(*Continued from page* 698)

4.66 millions of 1927 income against 1.27 millions in 1926. Directors have pursued a liberal policy when conditions have permitted. Following a 100% stock dividend in 1926, net surplus declined from 19 millions at the end of 1925 to 16.2 millions at the close of 1926, and stood at 21.6 millions on December 31, 1927. Regular cash dividends were recently increased from $4 a share annually to $5 a share, but a more liberal attitude toward shareholders seems warranted whenever directors so elect. The shares have enjoyed a substantial rise in recent months, but patient holders should be well rewarded, and we counsel retention.

PIERCE ARROW MOTOR CAR

Is there any real future for the Pierce-Arrow Company? I cannot seem to understand why the company whose cars are regarded as practically the best in America should not be able to pay dividends on its common stock; in fact should apparently be losing ground right along. Is it the business management or competition which forces them to take so little profit per car?—G. M. F., Indianapolis, Ind.

Pierce-Arrow Motor Car, as the pioneer maker of high-class 6-cylinder cars, operated on a satisfactorily profitable basis in years prior to 1921, but its record in subsequent years leaves much to be desired. A combination of exceedingly keen competition, and a drastic falling off in motor truck sales resulted in a deficit of $258,616 in the first nine months of 1927, with prospects of a greater loss being shown in the full 1927 year. Annual dividends on 10 millions $100 par 8% preferred stock were suspended from April 1, 1921, to July 1, 1926, and were again omitted on October 1, 1927, so that accumulations amounted to 44% on January 1, 1928. As matters now stand, the common has no equity in either assets or earnings. The company's recent entrance into the light delivery truck field and the introduction of its new "81" model passenger car might conceivably stimulate sales, but the re-establishment of wholly satisfactory earning power seems to lie a considerable distance ahead.

PAIGE-DETROIT MOTOR CAR

I would greatly appreciate any information you can give me on Paige, Detroit. I bought the stock at 18 and carried it through its advance to somewhere around 30, but it is now apparently operating at a loss. Is there any prospect of the dividend being resumed?—M. A. B., Minneapolis, Minn.

Paige-Detroit Motor Car made a fairly favorable showing in years prior to 1926 but, in common with other small passenger car producers, experi-

(*Please turn to page* 714)

(*Continued from page* 712)

enced a sharp decline in earnings in the latter year. Results from operations in 1926 were equal to 49 cents a common share against $3.04 in 1925. Controlling interest and management passed, early in 1927, to the hands of the Graham Brothers, and name of company has subsequently been changed to Graham-Paige Motors Corp. As a result of operations in the first nine months in 1927, a deficit of $1,796,104 was incurred, and while some improvement in the last quarter might result from the introduction of several low priced motor models, the final showing is not likely to be particularly impressive. The new management enjoys an excellent reputation in the field and this should be construed as an important favorable factor. However, in the light of the organization's showing in later years, and prospects of increasingly keen competition in the industry, together with numerous price cuts, with a consequent narrowing of profit margins, we are not disposed to lend our unqualified endorsement to holding the shares at this time.

LOUISIANA OIL REFINING

I am a holder of 100 shares of Louisiana Oil. Of course, I know it is a highly speculative issue. I got into the stock through the fact that I was a holder of Invincible Oil. I have been gradually losing faith in it, even as a speculation, and I am disposed to regard it as an eventual total loss. What is your opinion?—R. A. G., Washington, D. C.

The Louisiana Oil Refining Corp. from a trade standpoint, is a well rounded organization engaged in practically all phases of the oil industry but from a corporate angle appears considerably hampered by excessive capitalization, a conclusion drawn from the mediocre record of earnings, as applied to the outstanding preferred and common shares. During the past seven years the company has been unable to equal or better the showing made in 1920, in which year net income totaled $6,591,000. Only in 1922 and 1926 did net exceed $2,000,000. In the latter year $50.98 and $1.62 was earned on the preferred and common stock respectively. However, with a collapse in the price structure for both crude and refined oil products, due to overproduction, earnings suffered a drastic decline and the equivalent of only 38 cents per share was earned on the preferred stock in the first nine months of 1927. Finances are fairly sound but with no real evidence of sustained improvement in the industry, as a whole, the adequacy of present working capital is conjectural. Preferred dividends are obviously insecure, pending the advent of more normal conditions, and the common stock seems destined to remain in a highly speculative category, offering but little incentive to hold at this time.

JORDAN MOTOR CAR

What can you tell me about Jordan Motors? I have been a stockholder in this company for several years, and now that the quarterly dividend has been passed on the preferred stock and the merger plan abandoned. I am wondering what confidence to place in the company's future.—J. F. S., Chicago, Ill.

The Jordan Motor Car Co. was formerly a successful manufacturer of medium-priced high grade passenger cars and while one of the smaller automobile companies, its record prior to 1924 was, on the whole, satisfactory. In more recent years, however, the company has apparently been unable to maintain the competitive pace set by the larger companies with highly developed sales organizations. Earnings fell off sharply in 1926, resulting in the omission of common dividends in September of that year and recent similar action with regard to the preferred stock is evidence that the company was unsuccessful in effecting any improvement last year. A loss of nearly $26,000 was sustained in the first half of 1927, which in all probability was even larger in the last semester. It has been officially stated that old inventories have been entirely liquidated and the management is committed to a policy of cost reduction and more aggressive sales tactics. Prices have been reduced and it is understood that new models have met with a favorable reception. However, with practically all companies planning to step-up production materially during the next few months, competition will be in no way alleviated and thus the ability of Jordan to halt the downward tendency in earnings is in doubt. Under the circumstances, and as a measure of conservatism, it would, therefore, seem advisable to liquidate present holdings in favor of issues offering prospects of a more hopeful character.

AMERICAN TOBACCO

What is your opinion of the future of American Tobacco? I have been watching this stock go up, and I am inclined to accept a very substantial profit which I have on the 50 shares which I bought two years ago at your suggestion. I bought it as an investment, but feel I am justified in taking a market profit.—A. F. L., Milwaukee, Wis.

American Tobacco Company is a dominant factor in the tobacco industry and is estimated to manufacture one-third of the cigarettes and smoking tobacco in this country. It functions both as an operating and holding company, owning important stock interests in Schulte Retail Stores, United Cigar Stores and Mengel Company. In spite of very efficient and ever-growing competition, particularly in sale of popular brands of cigarettes, the company has given a very satisfactory account of itself and earnings, since 1920, have registered impressive gains in every year except 1923. The almost unbelievable increase in the consumption of cigarettes, being steadily reported, reflecting the growing ranks of women smokers, has played an important part

in the earnings of the several larger companies in the field. Specifically, the American Tobacco Co. earned the equivalent of $9.02 per share on the combined $40,242,400 common and $57,399,100 class B shares of $50 par value in 1924, $9.77 in 1925 and $9.90 in 1926. The upward trend thus noted is not likely to have been interrupted in 1927, on the basis of reported sales of "Lucky Strikes," the principal product. The satisfactory earnings, combined with a financial position showing cash alone over seven and a half times current liabilities, surely entitles the shares to sell at a premium above the average industrial issue. The company is in a position to pay out the bulk of earnings in form of dividends, and past results have shown that earnings are comparatively immune from the effects of depressed industrial conditions. By the same token, the shares are in a position to offer considerable resistance in any period of weakening security prices and while current quotations appear to accord immediate prospects a liberal valuation, we would be willing to advise retention of present commitments, as a representative issue of the calibre which offers considerable promise of gradual enhancement in value.

CERTAIN-TEED PRODUCTS

While I am not a stockholder in Certain-teed Products, I am a subscriber to the Magazine, and would like to ask your Personal Service Department if you would advise me to purchase the company's stock at current prices?—R. A. G., St. Louis, Mo.

Certain-teed Products Corporation in its present form represents a company which traces its original existence back to a far smaller organization, the General Roofing Company. The latter enterprise was gradually enhanced both in size and scope of activities through orderly expansion and the acquisition of established companies engaged in kindred endeavors. Products now bearing the Certain-teed trade mark include linoleum, plaster board, paints, varnishes, shingles and numerous other materials used in construction activities. Reviewing the record of the company from 1917 to and including 1923, a decidedly wide range of earning power is indicated, net for the common stock reaching a high level equivalent to $12.44 per share in 1917, and a low point of $1.15 per share in 1918. In the three years subsequent to 1923, however, some indication of the company's real earning power was gained and an average of about $6.55 per share of common stock was shown. The management has apparently committed itself to conservative financial policies, making liberal allowances for maintenance, repairs and depreciation. Goodwill has been written down to a nominal figure and working capital in excess of $7,200,000 seems ample. Ranking ahead of the common stock is 4.12

million dollars of 7% first preferred stock, and 2.68 millions 7% second preferred stock, which, however, under the proposed plan for acquiring the business and assets of the Beaver Board Companies and Beaver Products, Inc., recently announced, will be reclassified into new 7% preferred stock. Additional funds will be provided by $13,500,000 5½% debentures and 93,000 shares of common stock. The latter issue, in our opinion, provides an equity in a growing concern, with a promising outlook even under more normal conditions in the building industry, and offering the added inducement of a liberal yield, lends itself to favorable consideration both for speculative and income producing commitments.

MARLAND OIL

On the advice of a broker I bought 100 shares of Marland Oil at 55 several years ago, and later of my own accord thought I would average down and bought additional stock at 45. Do you think I am justified in holding on to the entire investment? I would be very glad to receive your advice on this subject, as I have usually made money by following your suggestions.—P. H. E., Philadelphia, Pa.

Many thousands of investors are confronted with a problem similar to yours. They are holding what was not so long ago recommended to them as sound oil securities and they have watched these same securities depreciate in value, precipitated by economic factors of an unfavorable character in the oil industry. Cheap flush production, drilling to protect leases, and inability of the smaller units to finance storage of huge crude supplies, are several of the major reasons for existing conditions. On the basis of reported earnings to September 30, 1927, the Marland Oil Company appears to have been more heavily hit than many other companies of lesser importance, from a trade standpoint, and after making an allowance of over $7,590,000 for intangible drilling costs, an operating deficit of nearly 3 millions was shown for the first nine months of 1927. It seems likely that the latter figure will be even larger when the final report is available, as the later months of the past year failed to witness any improvement in the general situation. On the other hand, financing last year provided Marland with adequate working capital and it is probable that the most acute phases of the depression have been passed. We are, therefore, of the opinion that the shares of the company have discounted marketwise, all of the unfavorable aspects now evident and on that basis, would advocate retention in anticipation of at least a moderate recovery this summer, which season may conceivably bring a sharp increase in the consumption of crude products and at least a temporary correction of existing over-supply.

READING R. R. CO.

(Continued from page 680)

is becoming less marked. Net income increased from $7,896,552 to $18,531,121 during this period, notwithstanding upward revisions in wages and lower freight rates. Revenue per ton-mile has decreased 2.4% since 1923, when gross revenues amounting to $104,948,370 were reported. The latter were not since equalled. The accompanying table reflects the company's revenues since 1922.

Maintenance of way in 1922 was $8,679,417, being 10.6% of gross revenues. In 1926, this item had increased to $13,744,846 and constituted 13.84% of gross. This increase merits careful analysis, since it undoubtedly constitutes an element of undisclosed earning power. Although traffic density rose 42%, maintenance charges increased disproportionately, rising from $7,701 to $12,078 per mile, an increase of 57%.

That these charges may be abnormally high is undoubtedly supported by the fact that other roads maintaining fully as high standards of upkeep, and having traffic of similar character and no heavier density per mile of road, report correspondingly smaller charges to maintenance of way. Thus, Reading with a traffic density of approximately 15% lower than that of Norfolk & Western or Chesapeake & Ohio, reflects charges more than double that of the former and 68% greater than the latter. Compared with such roads as Lehigh Valley and Delaware & Hudson, Reading's charges for 1926 were sufficiently out of line to add $2.20 and $1.00 per share respectively to its own stock. These comparisons seem justified since the aforementioned roads as well as Reading have kept up high standards of maintenance for many years.

Equipment in Good Order

Reading's equipment has also been in fine condition. Bad order freight cars have averaged 4.1% since 1922 as compared to a permissible standard of 5%. At the close of 1926, the average was 3.1%. During this interval, unserviceable locomotives averaged 13.5% as against permissible standards of 15%. At the close of 1926, 13% of Reading's locomotives were awaiting repairs.

The transportation ratio which undoubtedly reveals best the efficiency of railroad management declined from 37.9% in 1922 to 35.2% in 1926. Reflecting the efforts of the management in bringing about lower transportation costs was a reduction of 4.87% in freight train-mileage and an increase of 27.2% in daily car-mileage. Fuel consumption was reduced 14.9%, declining from 188 to 150 lbs. of coal consumed per 1,000 gross ton-miles. A more rapid freight movement was reflected in an increase of 25.5% in gross ton-mile per freight train-hour. Earnings available for interest and other

fixed charges have averaged in excess of $22,500,000 since 1922 and were 2.6 times the requirements.

Road and equipment were carried on the balance sheet at $282,643,870 and improvements on leased property amounted to $13,541,703 at the close of 1926. Balance sheets prior to those of December 31, 1923, are incomparable, owing to the inclusion of the Philadelphia & Reading Coal & Iron Company which was segregated in that year, accompanied by a redistribution of the general mortgage and the consolidation of the railroad lines.

Beginning with 1923, more than $37,500,000 was expended on additions and betterments to road and equipment. Substantial sums were expended for enlarging terminal facilities at Philadelphia, Camden and Port Reading, new car repair shops, the installation of automatic train control, strengthening of bridges and the reduction of curvature on parts of the road. Since 1924, approximately 475 miles of track was relaid with 130 lb. rail. New equipment was acquired and although the number of locomotives decreased from 1,107 in 1922 to 1,076 in 1926, their average tractive power increased 8.5%. Freight cars increased from 41,920 to 43,216 and the average capacity per car increased from 46 to 50.5 tons, or approximately 10%.

The foregoing factors have found reflection in greater average train-loads which increased from 825 to 943 tons since 1922, an increase of 14.3%. The average number of cars per freight train increased from 37.2 to 43.6 cars or 17.6%. That equipment is adequate is reflected in a credit balance of $1,788,484 for 1926. In 1922, there was a debit balance of $2,293,536 for equipment hire. Practically all of these improvements were accomplished by returning surplus earnings to the property.

The only new financing during this period was an issue of equipment trust obligations which at the close of 1922 totaled 23,283,735. At the close of 1926, $21,775,000 in equipment obligations were issued and of this amount $14,495,000 were held by the Reading Company and $1,814,000 by some of its subsidiaries. Practically all of Reading's capital expenditures in the past twenty-five years had been financed out of earnings. No bond issues have been sold since 1902.

Capitalization Well Balanced

The capitalization of Reading is exceptionally well balanced. Funded debt including $7,280,000 of equipment trust obligations totaled $121,900,591 at the close of 1926. The road is also comfortably situated as regards maturing obligations. Less than $16,000,000 including all of the equipment trusts are not due until 1941. The largest amount is due in 1937 when an issue of $5,725,717 Consolidated 4's mature. The equipment trusts are being liquidated serially and should be redeemed by 1935.

First preferred stock was outstand-

ing to the amount of $27,991,200 and second preferred amounted to $47,970,650. Both of these issues are of $50.00 par value and pay $2.00 per share in dividends annually. The latter are well protected by earnings, having been earned almost five times since 1923. Every two shares of the second preferred stock are convertible into one share of common and one share of first preferred stock at the option of the management but there is nothing to indicate that the holders of the second preferred will be afforded this opportunity.

The common stock outstanding totaled $69,900,100 and was also of $50.00 par value. Bonds comprised 46.5% of the total capitalization and the remaining 53.5% represented stock. Debt was outstanding at the close of 1926 at the annual rate of 4.1% and if the dividend rate on the preferred shares is also considered, the prior charges ahead of the junior equity are outstanding at the annual rate of 4.05%, an extremely low figure.

This is an element of considerable advantage for the common stock, as it does not affect the per share earnings on the latter appreciably unless a very serious decline in gross revenue occurs. Likewise, any increase of consequence in gross should find reflection in a sharp increase in net income available for the common stock. Earnings on this issue have averaged almost $10.00 per share in the last four years and were $11.24 per share in 1926. Earnings in 1927 should not exceed $8.00 per share. This figure though somewhat disappointing does not detract from the merits of the stock as an investment. Dividends have been paid on the junior equity without interruption since 1905 and the present rate of $4.00 per share annually since 1913. An extra of $1.00 per share was paid early in 1927, but there is no intimation at present that extra payments will continue.

Reading's surplus at the close of 1926 amounted to $99,030,290. The book value of the common stock as of December 31, 1926, was $121.00.

The 1926 annual report showed Reading to be in a strong financial position. As of December 31, 1926, current assets were $24,763,145 and current liabilities totaled $16,644,672. Cash was reported at $9,440,431. Included in the item "Other Investments" were $11,269,904 in bonds, which can undoubtedly be regarded as a liquid asset. The company owns $14,504,000 of Central Railroad of New Jersey stock, equivalent to 53% of the outstanding shares of this road. These holdings are listed as "Stocks in Affiliated Companies" and are carried at $22,429,619. Reading's holdings of the Central Railroad of New Jersey shares have a current market value of approximately $43,500,000 or $21,000,000 in excess of the ledger value. The equivalent of $15.00 additional book value on the Reading common shares is therefore undisclosed. Some years ago, a court decree specified that this stock should be sold, but pending the disposition of all railroad problems in eastern trunk line terri-

tory, the sale has been held in abeyance. The Central Railroad of New Jersey could be of particular value to the Pennsylvania Railroad as it would afford this system a more direct line from the anthracite regions to New York City instead of the present indirect route via Trenton.

In 1923, the anthracite coal properties were segregated as a result of government action and these are now embodied in the Philadelphia & Reading Coal & Iron Corporation. Some benefits were derived as a result of this action, as Reading received approximately $27,000,000 in cash and securities and was relieved of one third of its liability of its General Mortgage Bonds, which amounted to $31,542,000.

The various constructive factors entering into the affairs of the company have been stressed. That its management is committed to a policy of building up the property to a still greater point of efficiency and earning power is quite apparent. Recently, plans were announced for the electrification of certain portions of its lines and terminals at a cost of about $20,000,000. Notwithstanding the conservative dividend payments, the policy of returning earnings to the property together with its merger prospects, should ultimately be a factor of importance marketwise. There is also the possibility that Reading's true earning power has yet to be more fully revealed. *That the stock, currently quoted at approximately* 100 *and returning about 4% does not discount the future of Reading too liberally seems quite reasonable to infer.*

FACTS ABOUT INVESTING IN FOREIGN SECURITIES

(*Continued from page* 685)

foreign investing countries make so much out of it, why cannot our people be educated to do the same thing?"

Curiously enough, on this question of heavy, controlling holdings in foreign companies' stocks, the business men and the experienced foreign investment counsellor are in substantial agreement, for many of the latter also contend that it is unwise from a purely investment standpoint for the American investor to put his money into foreign enterprises where he is only a minority interest, with no effective voice in the management. The objection is sound in theory, although when we consider the profound indifference many American investors exhibit to the affairs of American companies in which they have made heavy investments, we may well doubt whether the difference is in fact so great. However, where American investors have a majority interest in a foreign enterprise there is always at least a possibility that, in the event of unpleasant developments, they can make their influence felt.

Note: This article will be continued in our next issue.

San Francisco Stock and Bond Exchange

THIS table is published regularly for the convenience of those of our subscribers and readers who are, or may be, interested in leading Pacific Coast securities.

Bank and Public Utility Stocks

	Div. Rate	1927-28 High	1927-28 Low	Last Sale Feb. 2
Anglo & London Paris Nat. Bank	$10.00	256	195	241
Bancitaly Corporation	2.24	149½	89¼	146¾
Bank of Italy, new	5.24	266½	171	264⅛
East Bay Water A, Pfd.	6.00	99	95⅛	97⅛
Federal Brandes	....	29½	9⅞	28
Great Western Power Pfd.	7.00	105½	98⅞	105¼
Los Angeles Gas Pfd.	6.00	109	98⅞	108
Pacific Telephone & Tel. Pfd.	6.00	124	102	124
Pacific Gas & Elec.	2.00	49½	31¼	49

Industrial and Miscellaneous

	Div. Rate	1927-28 High	1927-28 Low	Last Sale Feb. 2
Alaska Packers' Assn.	8.00	185	160	160
California Packing	4.00	79⅛	61	75
California Petroleum	1.00	33	19	25¾
Caterpillar Tractor	1.40	59	26⅜	54⅛
Foster & Kleiser (em)	1.00	19	12	18
Hale Brothers	2.00	36⅛	29	29
Hawaiian Coml. Sugar	3.00	53½	48	53½
Hawaiian Pineapple	1.80	56	42	42
Home Fire & Marine	1.60	49	28⅛	41⅛
Honolulu Cons. Oil	2.00	42¼	33¾	36⅜
Hunt Brothers Packing "A"	2.00	26¼	22	24½
Illinois Pacific Glass "A"	2.00	48⅝	22	47
North American Oil	3.60	48	28¾	37½
Paraffine Common	3.00	96	53¾	93½
Richfield Cons. Oil	1.00	28½	14¾	25¾
Schlesinger A Common	1.50	25¾	20	24½
Shell Union Oil	1.40	31⅞	24⅜	25
Southern Pacific	6.00	125	106⅛	119
Sperry Flour Common	....	70½	44	67
Spring Valley Water	6.00	110	101¼	107
Standard Oil of Calif.	2.50	60¾	50⅝	54⅝
Union Oil Associates	1.99	56⅛	37¾	42⅛
Union Oil of California	2.00	56¼	39⅛	43⅛
Yellow & Checker Cab "A"	.80	11¼	7¾	10
Zellerbach Corporation	2.00	52	28	50

THE RISK FACTOR IN GILT-EDGE STOCKS

(*Continued from page* 667)

altogether characteristic of the stock market that the stress laid on intangible and prospective values at the upper levels gives way to a far greater recognition of tangible values during periods of weakness.

Declining prices throughout the list likewise have the virtue of testing the sincerity of spectacular advances in stocks of a more speculative order such as have occurred in Greene Cananea, Gold Dust, A. M. Byers and numerous others. Their action under pressure often goes a long way in determining whether the moves are based on genuine prospects of a sharp upturn in earnings or whether they are merely repetitions of the remarkable performance of Manhattan Electrical Supply a few months ago.

Conclusion The exploitation of speculative specialties in recent weeks has featured the market far more than the action of the gilt-edge group, the latter being content for the most part to hold pretty steadily within striking distance of their peak levels. Such a state of affairs has usually been indicative of distribution of stocks which have already had their day, and holders of the highest grade issues should not, simply because of their apparent stability at high prices, be misled into a false sense of security regarding them in the belief that levels in excess of twenty times share earnings are a permanent institution.

There is no stock possessing such merit as to be desirable at all times regardless of price unless the pur-

chaser is perfectly content to stand by for an indefinite period, in the meantime receiving only a nominal return on his investment. No one questions the soundness of General Electric, Woolworth, R. J. Reynolds, National Biscuit and others of a similar type, but this does not justify the acquisition of an interest therein at economically unsound market valuations made possible by a combination of money conditions and the unusual stress now laid on the advantage of common stocks as long term investments.

Such a viewpoint has much to commend it but has been carried to a point where the advantage is largely nullified insofar as stocks which have already been accorded maximum investment recognition are concerned. Under these circumstances, the investment common stock embodies a degree of risk comparable to issues admittedly in the speculative class, and, pending a readjustment in values, it is far better to devote more attention to reliable dividend payers less in the limelight but selling in more normal relation to earnings, for experience has shown that issues of the latter type, although less high grade, are at the same time less vulnerable during periods of market readjustment.

SERVING ONE'S INVESTMENT APPRENTICESHIP

(*Continued from page* 691)

ferred stocks and some of the common stocks of large corporations which demonstrated over a period of years that they could earn enough profits on the average to pay a good rate of return to their stockholders in dividends.

And as they advanced step by step in the "business" of investing their money, the practical experience and the general knowledge about investment securities stood them in good stead. Investment losses are inevitable, particularly as one reaches the stage where a portion of one's funds is placed in securities for appreciation in value rather than for straight investment income. Securities of this type *depreciate* in value as well as appreciate, and no one's judgment in the selection of this class of securities is infallible. But few of these losses were *the result of mistakes that could easily have been avoided* by a little more general knowledge and familiarity with securities.

This is where the value of an investment apprenticeship is appreciated. In addition there are fewer possibilities of making mistakes when dealing in bonds, because bond values are based on known facts and specific conditions. In short, the way to hold investment losses to a minimum and to ultimately place one's capital to the best possible advantage, is to go through the apprenticeship period, limiting one's earliest investment to mediums of the most conservative character.

New York Curb Market

IMPORTANT ISSUES

Quotations as of January 31

Name and Dividend	1928 Price Range High	1928 Price Range Low	Recent Price
Albert Pick Barth wi.†	11⅞	10	11¾
Aluminum Co. of Amer.	129⅞	120	126⅛
Aluminum pfd. (6)	106⅝	105½	106½
Amer. Cigar (8)	147	140	140
Amer. Cyanamid "B" (1.60)	50	39	45¾
Amer. Cyanamid pfd. (6)	97¾	95	96½
Amer. Gas Elec. (1)††	125⅝	117½	124
Amer. Super Power A (1.2)†	41	37	40⅛
Assoc. Gas Elec. "A" (2¼)	51½	47⅛	47⅛
Celotex Co. (3)	62	50	54½
Centrif. Pipe (0.60)*	12½	11½	11½
Cities Service New (1.2)†	56	54	55⅜
Cities Service Pfd. (6)†	95⅛	94½	95⅛
Consol. Gas of Balt. (3)	70⅞	67½	69¾
Consolidated Laundries (2)*	15¾	14¾	15
Durant Motors†	12⅜	9¼	9¾
Elect. Bond Share (1)†	86¾	76	86
Elect. Investors† (3.50 stk.)	45½	40⅛	43⅜
Fajardo Sugar (10)	160	152	157¼
Ford Motor of Canada (15)	568	510	528
General Baking A (5)*	88¼	76	85½
General Baking B*	10¼	7⅞	9
Glen Alden Coal (10)†	169	160	160
Gulf Oil (1.5)†	117¼	110¾	112
Happiness Candy Store (50)	7⅛	5⅞	5⅞
Hecla Mining (1)	18	16¾	17¾
Hygrade Food Products	30	25⅛	28
International Utilities B	10½	9	9½
Johns-Manville, new (3)	124¼	114½	122
Land Co. of Florida†	25	23¼	23¼
Lion Oil Refining (2.25)*	23	22	22¼
Lone Star Gas (2)	54½	52⅛	53⅞
Metro Chain Store††	62¾	54	61
Mountain Producers (2.60)†	28⅞	26¾	26¾
National Fuel Gas (1)	28	26½	27¼
New Mex. & Arizona Land†	10	8½	9
New Jersey Zinc (12)	190	180¼	189
Nipissing Mining (30c)*	5⅞	5⅜	5⅜
Northern Ohio Power†	24½	18	23⅛
Pacific Steel Boiler (1)*	13⅞	13	13¾
Phelps Dodge (6)	129½	124½	125
Puget Sound P. & L.†	46⅞	34⅝	45½
Salt Creek Producers (2½)†	35	32⅝	32⅝
So'east Pwr. & Lt. (new 1)	44⅞	42	43½
So'east Pwr. & Lt. Pfd. (4)	....	....	87
Stutz Motors*	18⅞	15⅜	15¾
Tobacco Products Export†	3⅝	3	3
Trans Lux*	4¾	3¾	4¾
Tubize Artif. Silk† (10)	505	460	475
Tung-Sol Lamp "A" (1.80)	21¾	19¾	20
United Electric Coal (3)	33	27	29½
United Gas & Improvem't (4)	118¼	112⅝	115¼
U. S. Gypsum (1.60)	92	82	82

STANDARD OIL STOCKS

Name and Dividend	1928 Price Range High	1928 Price Range Low	Recent Price
Continental Oil (1)	23	20⅛	20¼
Humble Oil (1.6)†	68	65	65⅜
International Pet. (.75)	43	36	39⅛
Ohio Oil (2.75)	66¾	64¼	64⅝
Prairie Oil & Gas†	50¼	48	49⅛
Standard Oil of Ind. (3.5)†	80½	77⅝	77⅞
Vacuum Oil (5)†	147½	142¼	144

* Listed in the regular way.
† Admitted to unlisted trading privileges.
†† Application made for full listing.

CONSIDERABLE liquidation was experienced in the Curb Market during the past fortnight, which carried prices off fractionally on the average, but nevertheless failed to discourage moves in specialty issues. The public utility shares in particular were active during this period and several utility issues were notably strong. *Electric Bond and Share* made a new high for the year at 86, several points higher than its high level of the past year. *American Gas & Electric* was strong, *Northern Ohio Power* established a gain of several points on much heavier trading than is customary in this issue, and *Puget Sound Power & Light* continued the advance pointed out here in the last issue, holding close to its new high for 1928 in spite of a good deal of profit taking that followed its recent run-up.

The strength in mining shares was reflected in *Aluminum Company* and *New Jersey Zinc* both issues establishing gains in the face of a generally weak market. A number of the Curb mining issues not listed in the above tables were active and stronger of late, one of the most spectacular of these issues being *Newmont Mining* which rose to around 165, establishing a gain of over forty points since the beginning of the year. Oil shares were weak and rather dull, both in the Standard Oil list and among the independent oil shares. Unfavorable reports covering last year's operations are coming out at this time and may be expected to have a dampening effect on market interest in this group for the time being.

After running up to a new high at 50, *American Cyanamid* slid off to a few points over its high for 1927. The renewed discussions in Congress as to the disposal of Muscle Shoals and the rejection by that body of another bid submitted by *American Cyanamid* seemed to bring a good deal of stock to market that has been lying in trading accounts. *Metropolitan Chain Stores* was well bought during the fortnight, making a gain of about 7 points.

The building material company stocks on the Curb continued to slide off reflecting further reductions in building construction. *Celotex* and *U. S. Gypsum* are now both selling around their lowest levels for this year and for the year 1927 as well. Year end summaries of building construction seem to indicate that the peak of residential construction was reached in 1926, the slump continuing through 1927 and prospects are not strong for much improvement in the current year. *Johns Manville* which has also been weak since the beginning of the year in reflection of the recession in the building industry, recovered about 8 points from its extreme low in recent sessions and seems to be enjoying some new buying of apparently substantial character.

BUILDING AN ESTATE ON THE FOUNDATION OF AMERICAN PROSPERITY

(*Continued from page* 693)

National Surety had been heralded as the world's largest surety company. It had an aggressive management and was expanding. National City Bank was equally distinguished. At this point Roe's stock commitments aggregated $25,500, cost value, and from them he was realizing an annual return of $1,775. During this five year-period of accumulation almost every company had either increased its dividend, declared extras, or issued valuable subscription rights.

The rights were always sold as Roe desired to spread his purchases. One exception to this policy was in the summer of 1927 when Packard stock dividends, declared in 1925 and 1926, were sold to provide funds with which to subscribe for new stock offered at $150 per share by National Surety to its stockholders up to 50% of their holdings. The deviation was justified on the ground that the investment offered appeared attractive and on the further ground that each new security added made increasingly difficult the work of supervision.

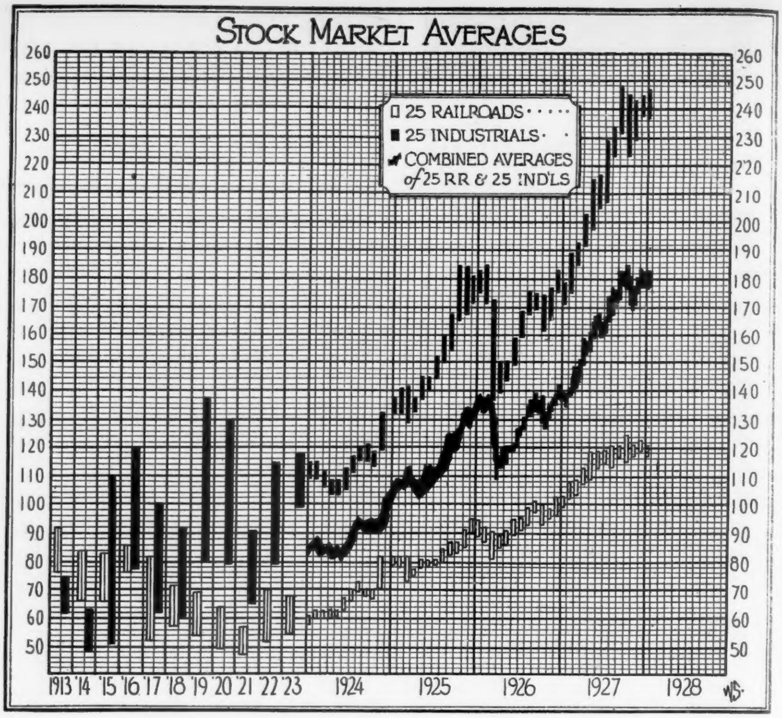
Preferred Stocks Are Avoided

It will be noted that no preferred stocks were included in the list. They might suit a person demanding a high current return but Roe thought them unsuited for his requirements. They were a hybrid type of security. In some respects they resembled bonds; in other particulars, common stocks. As a class, they were not as secure as good bonds, and, when compared with stocks, they shared neither in the management nor in the profits.

A further glance at the accompanying list shows that none of the securities originally acquired have been sold. This does not mean that Roe was committed to the policy of eternally holding purchases. An investor must sell as well as buy. As long, though, as one held the sound, seasoned securities of growing companies in industries which were expanding there was no point in selling. When the industry or the company ceased to grow it was then time, granting favorable market conditions, to dispose of one's holding therein.

It will be noted, also, that our investor has never endeavored to take advantage of swings in the market. He recognizes, however, the profit-making possibilities of this policy and realizes that the pursuit of same would probably have resulted in substantial capital increases.

But he has avoided this procedure because he did not consider himself sufficiently expert to estimate the high



MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Thursday, January 19	93.09	196.24	137.40	178.71	177.40	1,465,800
Friday, January 20	93.06	198.06	138.17	179.74	178.37	1,854,320
Saturday, January 21	93.15	198.46	138.12	180.01	179.12	1,117,600
Monday, January 22	93.21	199.72	138.99	182.03	179.72	2,653,590
Tuesday, January 24	93.25	201.01	139.06	182.93	180.72	2,692,200
Wednesday, January 25	93.11	198.58	137.90	181.78	179.40	2,787,840
Thursday, January 26	93.10	199.60	138.68	182.39	180.35	2,505,445
Friday, January 27	93.09	200.31	138.05	182.16	180.35	2,752,790
Saturday, January 28	93.10	198.87	137.33	181.01	179.66	1,401,000
Monday, January 30	92.96	197.57	137.12	179.83	178.14	2,167,744
Tuesday, January 31	92.95	198.59	137.18	180.62	179.26	2,130,510
Wednesday, February 1	92.98	197.98	136.10	180.64	178.67	2,038,640

and low points of the swings and because he was afraid it would absorb too much time and attention and thus injure his main business, which was the practice of his profession. He admits that the day may come when he will give more attention to this feature of his investment program.

In reviewing this financial experience of Mr. Roe, it hardly need be pointed out that his original investment has increased $17,955 in value. This increase has occurred without speculating in the ordinary sense of the term. The policy throughout has been strictly an investment proposition. The bonds, constituting the backlog of his plan, assure stability and, through their great liquidity, are available for use in case of need or opportunity. The common stocks protect against a vacillating dollar and, through probability of future growth, hold promise of realizing, at a comparatively early date, financial independence, which is the goal of the average investor.

American Water Works & Electric Company, Inc.

Referring to the notes on this company on page 513 of our issue of January 14, 1928, the following are the figures as officially revised and brought down to date:

Gross earnings of the system for year ended November 30, 1927, $48,706,743; net earnings per share (including undistributed income of subsidiaries) for year ended November 30, 1927, $2.92 a share against $2.56 a share on basis corresponding to present capitalization (figures previously given refer to year ended August 31, 1927, and on basis of cash dividends actually received by American Water Works from subsidiaries not including undistributed earnings).

The dividend rate is 80c a share per annum in cash and 5% in stock, indicating a yield at present price around 59 of 6.36%.

TRADE TENDENCIES

(Continued from page 696)

sulting in many concessions in order to procure what business there was available. Now, however, conditions are somewhat altered and it will be their own fault if producers do not, literally, make hay while the sun shines.

Expansion of activities has continued and as a result operations have shown a considerable gain. Ingot production of the Steel Corporation is hovering around the 89% level, as compared with 75% capacity a fortnight ago. Independent companies have also speeded up output and are now working at around 77% as compared with 67% two weeks ago. The average for the industry, as a whole, is about 82%. Consumption is being maintained at a good rate and a large amount of unfilled orders has accumulated on the books of many companies. Consequently producers are not seeking with special eagerness any large new business until some of the excess tonnage has been worked off. Under the circumstances it seems unlikely that operations will go very much beyond their present level and producers will concentrate more upon the price situation in an effort to bring about a more closer alignment with present rate of demand.

COTTON

Temporary Slump Prevails

A number of factors recently combined to send cotton sliding below the 18 cent level, so opening up prospects of further downward scale in goods prices and exerting a depressing effect on those American growers who are still possessed of the staple. The persistence of present levels may also be expected to prove a factor in decreasing acreage soon to be sown for this year's crop.

Weevil hibernation, while substantially below 1925 and 1926, in what has previously been considered the key state of Louisiana, has shown a startling increase in South Carolina, and for the cotton belt as a whole holds more of a threat of heavy infestation than last year. Low winter temperature, however, is a most important factor in future potentialities of this pest; and recent cold is in no small measure responsible for current market declines. Particularly is this true, coming in conjunction with the small volume of current buying by mills not only in this country but abroad. Present curtailment of operations in New England, in Southern print mills and lowered demand from Lancashire, natu-

(Please turn to page 730)

Statistical Record of Business

	Week Ended Jan. 28, '28	Week Ended Feb. 3, '28	Year Ago
Volume Stock Exchange Transactions (Shares)	14,806,245	12,450,394	10,107,365
Average Price Magazine of Wall Street Index	116.6	115.4	98.8
Volume Bond Transactions	$68,394,450	$66,105,550	$91,116,450
Average Price 40 Bonds	93.25-93.09	93.15-92.94	93.25-92.85
Brokers' Loans (Federal Reserve)	†$3,788,685,000	‡$3,815,820,000	$2,730,001,000
Comm'l. Loans Federal Reserve Member Banks	$8,669,711,000	$8,533,833	$8,577,486
Federal Reserve Ratio	75.0	73.7	78.5
Gold Holdings	$2,988,034,000	$2,970,630,000	$3,128,649,000
Rediscount Rate, N. Y.	3½%	4%	4%
Call Money	4½%	4¼%	4%
Time Money (90 days)	4⅜-½	4⅜-½	4⅜-½
Commercial Paper	3¾-4	3¾-4	4-4¼
Acceptances (90 days)	3½-⅝	3¾-⅝	3¾-⅝
Bank Debits	†$12,710,558,000	‡$13,978,136,000	$12,733,784,000
Dun's Business Failures	646	571	570
Weekly Food Index (Bradst's)	$3.34 (Jan. 1)	$3.33 (Feb. 1)	$3.52 (Feb. 1)
Wholesale Prices (Bradst's)	$13.57	$13.52	$12.51

Industrial Barometers

	November	December	Year Ago
U. S. Steel Unfilled Tonnage	3,454,444	3,972,874	3,960,969
Steel Ingot Production	3,101,764	3,150,345	3,466,766
Pig Iron Production	2,648,376	2,695,755	3,091,060
Pig Iron Furnaces in Blast	172	170	213
Automobile Production	133,202	150,000	167,922
Building Permits (Bradstreet's)	$248,370,771	$263,320,710	$279,401,428
Petroleum Production	73,788,000	76,000,000*	72,061,000
Bituminous Coal Production (net tons)	40,770,000	45,312,000	57,180,000
Copper Production (short tons)	79,878	85,868	86,786
Cotton Consumption (bales)	625,680	543,598	602,986
Spindles active	32,270,000	31,715,000	32,500,000
Wool Consumption (lbs)	40,400,000	36,266,775	45,679,612
Railroad Earnings	$86,424,299	....	$114,940,803
% on Railroad Property invested	3.71	....	5.07
Car loadings	3,822,620	4,172,605	4,490,391

Foreign Trade

	November	December	Year Ago
Merchandise Exports	$461,000,000	$409,000,000	$465,369,000
Merchandise Imports	$345,000,000	$331,000,000	$359,462,000
Gold Exports	$55,266,000	$77,849,000	$7,196,278
Gold Imports	$2,082,000	$10,431,000	$6,971,857

Distributive Trades

	November	December	Year Ago
Mail Order Sales	$51,200,000	$59,500,000	$53,100,000
Chain Store Sales (5 & 10 cent stores)	$44,250,000	$85,600,000	$68,380,000
Department Store Sales (index number 1919-100)	156	237	234

* Subject to revision. † Jan. 25. ‡ Feb. 1.

Building & Loan Associations

We will be glad to answer questions regarding the protection afforded to investors in Building & Loan Associations by the laws and regulations of the states in which they are located, Address Building & Loan Ass'n Dept., c/o The Magazine of Wall Street, 42 Broadway, New York City

New Jersey

Texas

New York

Colorado

Colorado

Alabama

Florida

Texas

(Continued from page 727)

rally find definite reflection in a weakened market.

Watchful waiting characterizes buyers of both finished goods and raw staple. Stocks are not excessive, but markets are prone to wait upon definite reports of new acreage and for some signs of increased consumption before rallying full resistance to the large volume of bearish news.

LEATHER

In Strong Position

Scarcity of hides the world over has contributed to a steady appreciation in the price of this commodity with almost no regard of season or the quality of the take-off. This trend and the resulting steady decline of stocks in tanners' and manufacturers' hands has naturally found reflection in a corresponding rise in the value of leather and leather products. After a depression which extends back uninterruptedly to 1919 the industry is at last facing prospects of moderate prosperity. Precedent shows that shoe and other leather manufacturers enjoy a greater degree of affluence when their raw materials are at high levels than when the opposite condition obtains.

The year just past illustrates to a marked degree the opposite tendencies of production and consumption. In 1921, the year of severe business depression, the tanning industry had stocks of heavy leather amounting to 12 million sides. At the end of 1927 supplies had fallen below 3 million. In direct contrast was the movement in upper leather, stocks of which were at no time excessive as compared with rate of demand. Under these circumstances it is not surprising that calf skins and upper leather found more favorable price conditions than hides and sole leather. As a result breeders marketed their calves on a very extensive scale. The effect has been a sharp decline in the range cattle in the United States, although the cattle are conceded to be in much better condition than formerly and are running heavier on the hoof.

Steady shrinkage in heavy leather supplies during the past number of years at last found upward reflection in prices during 1927. Better marketing condition for finished upper leather in this country induced more active foreign competition and prices to some extent felt the added weight of shipments from abroad, although a firm tone prevailed throughout.

Shoe prices have not as yet fully discounted the remarkable advance in hides. Although there has been a fair amount of strength shown recently and an upward trend is established, there is still substantial room for further improvement.

THE OPPORTUNITY EXCHANGE

IDEAS – SERVICE – COMMODITIES

A Clearing House For Business Men

MEN – AGENTS – BUSINESS OPPORTUNITIES

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LITHOGRAPHED LETTERHEADS

$1.25 per 1000

IN LOTS OF 50,000
25,000 at $1.50—12,500 at $1.75 or
6,250 our Minimum at $2.25 per 1000
Complete—Delivered in New York

ON OUR 20 LB. WHITE PARAMOUNT BOND

A Beautiful, Strong, Snappy Sheet
HIGHEST GRADE ART WORK AND ENGRAVINGS
GEO. MORRISON COMPANY
552 West 22nd St. New York City
SEND FOR BOOKLET OF PAPER AND ENGRAVINGS

Business Opportunities

BIG BUSINESS OPPORTUNITY

$400 KEI-LAC MACHINE EARNED $5040 IN ONE YEAR; $240 machine earned $1440; $160 machine earned $2160. One man placed 300. Responsible company offers exclusive advertising proposition. Unlimited possibilities. Protected territory. Investment required. Experience unnecessary. NATIONAL KEI-LAC CO., 557 Jackson Blvd., Chicago, Ill.

Dividends and Interest

Fairbanks, Morse & Co.

Preferred Dividend

Notice is hereby given that the regular quarterly dividend of One and three-quarters per cent (1¾%) has been declared on the outstanding 7% Preferred Stock of this company, payable on March 1, 1928, to stockholders of record at the close of business on February 11, 1928.

Common Dividend

Notice is hereby given that a quarterly dividend of seventy-five (75c) per share has been declared on the outstanding Common Stock of this company, payable on March 31, 1928, to stockholders of record at the close of business on March 12, 1928.

The transfer books will not close.

F. M. BOUGHEY,
Secretary.

Chicago, Illinois,
January 27, 1928.

DIVIDEND NOTICE

At a meeting of the Board of Directors of the Stewart-Warner Speedometer Corporation held January 25, 1928, the regular quarterly dividend of $1.50 per share was declared payable on February 15, 1928 to stockholders of record as of February 4, 1928.

The stock transfer books will not be closed for dividend purposes.

W. J. ZUCKER, Secretary.
STEWART-WARNER SPEEDOMETER CORP'N.

Tennessee Copper & Chemical Corporation
61 Broadway, New York

February 1, 1928.

The Board of Directors of the Tennessee Copper & Chemical Corporation has this day declared a quarterly dividend of twelve and one-half cents (12½¢) per share on the issued and outstanding capital stock of the company, payable March 15, 1928, to stockholders of record at the close of business on Feb. 29, 1928. The transfer books of the company will not close.

E. H. WESTLAKE, Treasurer.

CHILE COPPER COMPANY

The Directors have this day declared a distribution of 62½ cents per share on the Capital stock of the Company, payable March 30, 1928, to stockholders of record at the close of business on March 2, 1928.

C. W. WELCH, Secretary.

New York, January 24, 1928.

Dividends and Interest

Collateral Bankers

Inc.
NEW YORK

COLLATERAL BANKERS

Participation No. 7

Bondholders' profit participation of 1% covering the twelve months' period ended January 14, 1928, has been declared, payable on or after January 31, 1928, on all participating debenture bonds to owners of record January 14, 1928.

In addition to the above profit participation to bondholders, the Corporation has paid 60 quarterly interest coupons as they matured.

WILLIAM E. THOMPSON, *Treasurer.*

The West Penn Electric Company

NOTICE OF DIVIDEND

The Board of Directors has declared a dividend of $1.75 per share upon the Class A Stock of The West Penn Electric Company, for the quarter ending March 30, 1928, payable on March 30, 1928, to stockholders of record at the close of business on March 15, 1928.

G. E. MURRIE, *Secretary.*

West Penn Railways Company

NOTICE OF DIVIDEND

The Board of Directors has declared quarterly dividend No. 43 of one and one-half per cent. (1½%) upon the 6% Cumulative Preferred Stock of West Penn Railways Company, for the quarter ending March 15, 1928, payable on March 15, 1928, to stockholders of record at the close of business on February 25, 1928.

G. E. MURRIE, *Secretary.*

AMERICAN WATER WORKS AND ELECTRIC COMPANY

INCORPORATED
(of Delaware)

A regular quarterly dividend of $1.50 per share on the $6 Series, First Preferred Stock of the Company, for the quarter ending March 31, 1928, has been declared payable April 2, 1928, to stockholders of record at the close of business on March 12, 1928.

W. K. DUNBAR, *Secretary.*

Dividends and Interest

UNITED STATES REALTY AND IMPROVEMENT COMPANY

111 BROADWAY, NEW YORK

The directors of this company today declared a dividend of one dollar ($1.00) on each share of its stock without nominal or par value issued and outstanding, payable on March 15, 1928, to holders of record of such stock at the close of business on February 24, 1928.

For the purpose of such dividend, holders of record at the close of business on February 24, 1928, of certificates for shares of common stock of the par value of one hundred dollars, which will not have been exchanged for certificates of stock without nominal or par value, will be deemed the holders of record of 2½ shares of stock without nominal or par value for each share of common stock of the par value of one hundred dollars held on said date, as if such exchange had been made, and will be entitled to said dividend.

The proper officers of the company are authorized to withhold payments of aforesaid dividend in so far as said dividend is declared in respect of any outstanding one hundred dollars par value common stock certificates until such one hundred dollars par value common stock certificates shall have been surrendered in exchange for certificates of stock without nominal or par value.

Dated, New York, January 26, 1928.

ALBERT E. HADLOCK,
Treasurer.

AMERICAN RADIATOR COMPANY

PREFERRED DIVIDEND
COMMON DIVIDEND

A dividend of one and three-quarters per cent (1¾%), being the 116th consecutive quarterly dividend, has been declared on the Preferred Stock, payable February 15, 1928, to stockholders of record at the close of business February 6, 1928.

A dividend of one and one-quarter dollars ($1.25) per share, being the 94th consecutive quarterly dividend, has been declared on the Common Stock, payable March 31, 1928, to stockholders of record at the close of business March 15, 1928.

The transfer books will not be closed.

ROLLAND J. HAMILTON, *Secretary.*

Borden's

COMMON DIVIDEND No. 72

A quarterly dividend of $1.50 per share has been declared on the outstanding common stock of this Company, payable March 1, 1928, to stockholders of record at the close of business February 15, 1928. Checks will be mailed.

The Borden Company
WM. P. MARSH, *Treasurer.*

INTERNATIONAL PAPER COMPANY

New York, December 28th, 1927

The Board of Directors have declared a quarterly dividend of Sixty (60c) Cents a share on the Common Stock of this Company, payable February 15th, 1928, to Common stockholders of Record at the close of business February 1st, 1928.

Checks to be mailed. Transfer books will not close.

OWEN SHEPHERD,
Vice-President & Treasurer.

NEWCOMERS TO NEW YORK STOCK EXCHANGE

(*Continued from page* 687)

its showing was indifferent. With the advent of new blood and management, infused with the spirit of accomplishment, McCall began to develop into a high grade, aggressive enterprise.

In the period between 1915 and 1919, despite a more than 100% increase in gross volume, net profits declined disappointingly. Thus, gross sales of 2 million dollars in 1915 yielded a net profit of $205,000, but though gross had risen to 3.4 million dollars four years later, expenses consumed more than the net gain in total revenues with the result that a deficit of $110,000 was shown.

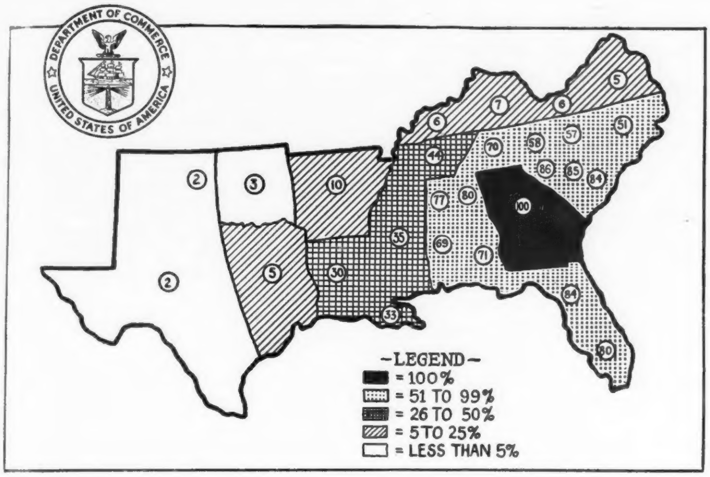
At this point, the new management took hold and a remarkable improvement became almost immediately apparent. Thus, volume of business jumped to 6.8 millions in 1922, while net profits rose to $911,000. In 1926, McCall's gross reached 10.74 million dollars and net made a new high at 1.22 million dollars, equivalent to $3.73 a share for the 239,994 shares of common now outstanding. Further evidence of continued growth is revealed in the showing for the first nine months of 1927 when the company reported a balance of $3.98 a share available for this issue.

McCall has thus developed from a position of comparative obscurity into a publishing enterprise of first rate importance. Well directed sales efforts and publicity have built up a countrywide clientele for McCall's Magazine, the McCall Quarterly and McCall fashion sheets, patterns and the like.

Owing to the company's early difficulties, which caused preferred dividends to fall heavily into arrears, the common shareholders did not come into their own until 1926. In that year, a plan of recapitalization was adopted, authorizing issuance of 240,000 shares of new common stock and retirement of the former first preferred stock by conversion into common and by redemption at $115 a share. Back dividends on the second 7% preferred were cleared up and payments were subsequently inaugurated on the common at the present rate of $2 annually. Redemption of this second preferred stock last November left McCall with the present authorized issue of 264,000 shares no par common as its only capital obligation.

The steady rise in market value of the old and new shares, in response to the company's consistent improvement and growth in earning capacity, was one of the features of the Over-the-Counter market of the past few years. *The shares have now been brought to levels where their appeal is restricted to that class of investor who looks rather to a larger income return over a long period than to immediate yield or further nearby material price enhancement.*

U. S. Department of Commerce Confirms Atlanta's Place as DISTRIBUTION CITY



Percent coverage from Atlanta branch offices of 86 national concerns, selected by the Department of Commerce survey as typical of the more than 900 that serve the South from Distribution City.

FOR YEARS business men have watched the South. They saw its industry grow 202.9% in twelve years, while the entire United States developed 158.6% industrially. They saw agriculture slip the one-crop yoke and become stable, prosperous. And realizing that here was a market not to be neglected, cast about for a proper point from which to serve it most economically.

More than 900 of these famous concerns, studying the field with care, have chosen Atlanta. Now comes the Domestic Commerce Division of the U. S. Department of Commerce and dispassionately surveys this swiftly growing market. Emerging from the facts, gathered over many months of intensive study, is evidence that these 900 great concerns have chosen wisely—overwhelming evidence of Atlanta's importance in the plans of every business that pretends to thorough coverage of *all* its active markets.

Sales offices here bring bigger volume, because men and merchandise may be more efficiently routed over the rich territory. Southern merchants, buying hand to mouth as elsewhere, have learned to look to Atlanta branches for the service to which they are entitled.

Branch factories spring from sales experience in the territory. Obviously the market is here. Obviously goods made here under the economies of efficient Southern labor, low taxes, plentiful and cheap raw materials, low-cost power, will have a dual "edge" on goods long-hauled from congested, high-cost centers. And these branch factories grow, prosper and multiply.

Atlanta is ready to show you why it is important to your business—to any business that must pay dividends. Without cost or obligation, and in the strictest confidence, the Atlanta Industrial Bureau will make a special survey of this region from your standpoint. Item by item, the Bureau will show how you can save money on operation and make money on sales.

A brief note from you will bring this infor mation promptly.

Executive officers of interested concerns may secure the Southeastern Survey from any office of the Department of Commerce, or by writing us on their letterheads.

Write INDUSTRIAL BUREAU
131 *Chamber of Commerce*

ATLANTA

Industrial Headquarters of the South

REMINGTON ARMS CO., INC.

(Continued from page 689)

working capital, with current assets in the ratio of 7.1 to 1 of current liabilities.

Since then, the company won judgment for $640,000 as a result of claims against the United States Government on account of war contracts. Suit is now being pressed for an additional $400,000, representing interest accrued upon the original claim. In view of the conclusion of suit for the principal amount, it would seem a fair inference that satisfactory adjustment of the latter claim should result.

No data is, as yet, available in respect to 1927 earnings, but the year before, Remington Arms did a gross business of 18.05 million dollars compared with 16.83 millions in 1925. It is probable that, with the cash register department established on a firm footing and in view of the accomplishments in other lines, gross sales for 1927 and for the current year will show further gains. Hence, though actual net profits available for the common stock in 1926 were equivalent to but 76 cents a share for the 611,960 shares outstanding, excluding the item of non-recurring royalties, outlook for this issue appears promising. If the 1.95 million dollars royalty payment is accounted part of 1926 income, common share earnings for that year would be $2.60.

This issue is preceded by 7.71 millions of 6% first mortgage bonds and 4 millions of 5½% notes. *Both of these issues, while to some degree speculative, seem attractive for yield and ultimate price enhancement possibilities.* The former at 99 yield 6.1% to maturity in 1937 and the latter at 98 afford a return of 6.5% to maturity in 1931.

As a result of reclassification of capital stock in 1923, there are now outstanding 4.68 millions 7% cumulative first preferred stock on which dividends have been maintained since issuance, and 5 millions 8% cumulative second preferred. These two securities, as well as the common, are unlisted, as previously stated.

The senior preferred shares may be considered a good "business man's" investment at prevailing quotations around 90 where they yield 7.8%. The second preferred and common, however, would seem to have the most attractive possibilities as long range speculations, based upon Remington Arms emergence from its transition period to definite earning power. These stocks are selling around 76 and 15 respectively.

No dividends have been paid on the second preferred since July, 1924, so that it now carries an arrearage of 28%. Doubtless some plan will eventually be evolved to liquidate these unpaid dividends, a procedure that would, obviously, enhance the possibilities of the common stock.

In conclusion, it may be observed

that the company enjoys aggressive and capable management. Thus, the incumbent president, Mr. Saunders Norvell, who has had wide experience in the hardware trade, was induced to take over guidance of Remington Arms' destiny after a determination to retire from active business life and a record of success in piloting such solidly established corporations as the Norvell-Shapleigh Hardware Co., Simmons Hardware Co. and McKesson & Robbins, Inc. Equally significant is the fact that the directorate includes such well known names as Charles E. Mitchell, P. A. Rockefeller, William H. Woodin, Mathew C. Brush, M. Hartley Dodge and Frederick B. Adams.

SAFEGUARDING THE FAMILY INSURANCE INCOME

(Continued from page 694)

inability to work will be permanent. When a young man is stricken with tuberculosis, if he or his family can afford to do so, he should immediately be taken to a high and dry altitude and given open air treatment. If this is done under modern medical care, there is a good chance that he will recover to such an extent that he can resume his business and live a normal life. At the time he is thus stricken every tubercular patient believes that he will recover, and it is sometimes impossible to tell whether the ailment *is* permanent until the patient actually dies—proving that it has been permanent.

To deal justly with cases of this kind companies developed a further liberal condition, namely: that if total disability shall have continued for ninety days, *permanence* will be presumed and the monthly income will be payable and premiums will be waived from the beginning of the fourth month. Such a condition may even happen in the case of a badly fractured leg, typhoid fever, and other ailments which are usually of a temporary character only. They may, however, last more than the three months period, while tuberculosis and other ailments of similar character frequently cause disability extending over six months or a year, yet are not *permanent.*

The cost of this Disability Benefit protection in a life insurance policy is small in comparison to the advantages it confers. It may be argued that the possibility of total and permanent disability is very slight; but to the man thus marked by unkind fate, it is immaterial what proportion of each thousand men are thus afflicted, if he himself is one of those whose impairment helps to point the ratio. If he is able to "carry on" by the help of his Disability Benefit then he has indeed cause for real appreciation of this important provision in his life insurance policy especially since the *additional* premium cost to include the Disability Benefit is not large.

IMPORTANT DIVIDEND ANNOUNCEMENTS

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Pay-able
$6.96	Amalg'd Laundries	$0.58	M	2-15	3-1
2.40	Am. Home Pro.	$0.20	M	2-14	3-1
3.00	Am. Metal com.	$0.75	Q	2-18	3-1
7.00	Am. Metal pf.	$1.75	Q	2-18	3-1
7.00	Am. Sumatra Tob.	$1.75	Q	2-15	3-1
8.00	Am. Tobacco com.	$2.00	Q	2-10	3-1
8.00	Am. Tob. com. B.	$2.00	Q	2-10	3-1
6.00	Asso. Dry Gds. 1st pf.	$1.50	Q	2-11	3-1
7.00	Asso. Dry Gds. 2nd pf.	$1.75	Q	2-11	3-1
6.00	Borden	$1.50	Q	2-15	3-1
8.00	Brooklyn Edison	$2.00	Q	2-9	3-1
4.00	B'keye Pipe L.	$1.00	Q	2-17	3-15
....	B'keye Pipe L.	$1.00	Ext	2-17	3-15
7.00	Celluloid par pf.	$1.75	Q	2-10	3-1
....	Celluloid 7% pf.	1¾%	Q	2-10	3-1
....	Century Rib. M. pf.	1¾%	Q	2-18	3-1
7.80	Chic. R. T. pr. pfd. A	$0.65	M	2-21	3-1
7.20	Chic. R. T. pr. pfd. B	$0.60	M	2-21	3-1
4.02	Chic. Yellow Cab	$0.33⅓	M	2-20	3-1
2.40	Childs com.	$0.60	Q	2-24	3-10
7.00	Childs pfd.	$1.75	Q	2-24	3-10
1.20	Cities Serv. com	$0.10	M	2-14	3-1
....	Cities Serv. com.	½%	M	2-14	3-1
6.00	Cities Serv. pfd.	$0.50	M	2-14	3-1
0.60	Cities Serv. pfd. B.	$0.05	M	2-14	3-1
6.00	Cities Serv. pfd. BB.	$0.50	M	2-14	3-1
....	Colo. Fuel & Iron	2%	Q	2-10	2-25
8.00	Community P. & Lt.	$2.00	Q	2-18	3-1
4.00	Cushman's com.	$1.00	Q	2-15	3-1
....	Cushman's com.	Stk	Ext	2-15	3-1
....	Cushman's 7% pf.	1¾%	Q	2-15	3-1
8.00	Cushman's 8% pf.	2.00	Q	2-15	3-1
7.00	Deere pf.	$1.75	Q	2-15	3-1
....	Erie Steam Shov.	1¾%	Q	2-15	3-1
7.00	Fairbanks-Morse pf	$1.75	Q	2-11	3-1
2.40	The Fair	$0.20	M	2-20	3-1
7.00	Fisk R. 2nd pf.	$1.75	Q	2-15	3-1
7.00	Gen'l Cig.	$1.75	Q	2-21	3-1
8.00	G. R. Kinney	$2.00	Q	2-17	3-1
4.00	Goodrich, B. F.	$1.00	Q	2-10	3-1
4.02	H. W. Gossard	$0.33⅓	M	2-17	3-1
6.00	Harbison-W'ker R.	$1.50	Q	2-20	3-1
3.50	Household Pro.	$0.87½	Q	2-15	3-1
6.00	Inter. Silver	$1.50	Q	2-15	3-1
4.00	Keystone Tel. Phila.	$1.00	Q	2-17	3-1
4.00	Liggett & Myers	$1.00	Q	2-15	3-1
....	Liggett & Myers	$1.00	Ext	2-15	3-1
4.00	Liggett & Myers B	$1.00	Q	2-15	3-1
....	Liggett & Myers B	$1.00	Ext	2-15	3-1
4.00	Lima Loco.	$1.00	Q	2-15	3-1
....	Lord & Taylor	1½%	Q	2-17	3-1
....	Mid-Cont. Pet.	1¾%	Q	2-15	3-1
8.00	Miller R.	$2.00	Q	2-10	3-1
3.00	Munsingwear	$0.75	Q	2-16	3-1
7.00	National Biscuit	$1.75	Q	2-15	2-29
6.00	North Am. Edison	$1.50	Q	2-15	3-1
6.60	Ohio Edison	$1.65	Q	2-15	3-1
6.00	Ohio Edison	$1.50	Q	2-15	3-1
7.00	Ohio Edison	$1.75	Q	2-15	3-1
....	Otis Elevator	$1.00	Ext	2-15	2-29
3.00	Packard	$0.25	M	2-15	2-29
....	Penn-Ohio Ed.	1¾%	Q	2-15	3-1
2.50	Phila. Co. pf.	$1.25	SA	2-10	3-1
4.00	Phillips-Jones	$1.00	Q	2-20	3-1
1.60	Pillsbury	$0.40	Q	2-15	3-1
6.50	Pillsbury	$1.62½	Q	2-15	3-1
....	Reading	1%	Q	2-16	3-8
4.00	Repub. Iron & Steel	$1.00	Q	2-15	3-1
3.50	Schulte R. S.	$0.87½	Q	2-15	3-1
2.00	Skelly Oil	$0.50	Q	2-15	3-15
7.00	Stand. Oil Ohio	$1.75	Q	2-10	3-1
6.00	Sun Oil	$1.50	Q	2-10	3-1
1.75	Swan-Finch Oil	$0.43¾	Q	2-10	3-1
3.60	J. R. Thompson	$0.30	M	2-23	3-1
1.60	Unit. Biscuit Am., init.	$0.40	Q	2-18	3-1
9.00	United Drug	$2.25	Q	2-15	3-1
7.00	U. S. Dairy Pro.	$1.75	Q	2-15	3-1
8.00	U. S. Dairy 2nd pf.	$2.00	Q	2-15	3-1
4.00	U. S. Hoffman Mach.	$1.00	Q	2-17	3-1
4.00	U. S. Realty & Imp.	$1.00	Q	2-24	3-15
5.00	F. W. Woolworth Co.	$1.25	Q	2-10	3-1
3.00	Wm. Wrigley, Jr., Co.	$0.25	M	2-20	3-1

THE GREAT ESSEX

Received like this . . .
. . . because of this

An instant winner everywhere—a buying wave that sweeps away all records—a public ovation of greater success to the most successful "Six" in history. That is the reception to the New Essex Super-Six.

Boston and territory with 800 sales in 10 days; and Detroit and Wayne County, with 659 Essex retail sales in 15 days—an unapproached record—merely reflect the country-wide triumph. Everywhere dealers are reporting more than 100% greater sales for the first 15 days of January than for the whole of last January, which was the previous record.

It is easily the greatest Essex Super-Six in history. It offers $200 to $300 more visible value than its great predecessor which outsold any other "Six" at or near the price by overwhelming margins.

Come with the crowds who acclaim it the "World's Greatest Value".

Bendix 4-Wheel Brakes

5" Balloon Tires

Wide, Heavy Fenders

Vertical Radiator Shutters

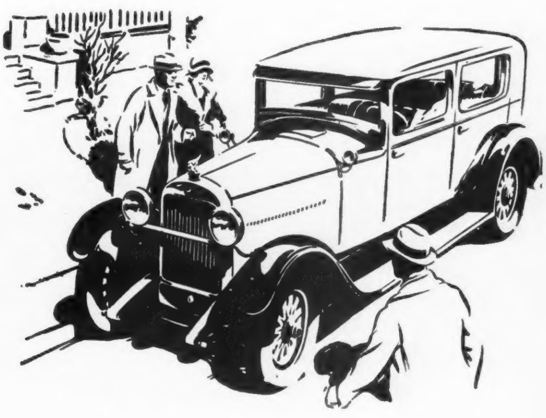
5-Dial Instrument Board

Slender Steel Core Wheel

Famous Super-Six High Compression Motor

Famous Essex Chassis

SEDAN (4-door) $795
COUPE $745
(Rumble Seat $30 extra)
COACH $735
All prices f. o. b. Detroit, plus war excise tax



ESSEX *Super-6*

Buyers can pay for cars out of income at lowest available charge for interest, handling and insurance

HUDSON MOTOR CAR COMPANY, ***Detroit, Michigan***

Important Corporation Meetings

Company	Specification	Date of Meeting
Simms Petroleum	Dividend	2-10
Minn., St. P. & S. Ste. Marie	Directors	2-13
Ahumada Lead	Directors	2-14
Tenn. Cop. & Chem.	Dividend	2-14
Austin, Nichols	Directors	2-15
Cities Service	Directors	2-15
Cuban-Am. Sugar	Pfd. & Com. Divds.	2-15
New York Central	Directors	2-15
N. Y. State Rys.	Annual	2-15
United Fruit	Annual	2-15
Universal Pipe & Rad.	Special	2-15
Adams Express	Dividend	2-16
All Amer. Cables	Directors	2-16
Am. Brown Bov. Electric	Directors	2-16
Burroughs Adding Mach.	Dividend	2-16
Chesebrough Mfg.	Com. Divd.	2-16
Louisville & Nash.	Directors	2-16
Magma Copper	Directors	2-16
Texas Gulf Sulphur	Dividend	2-16
Weston El. Instrument	Cl. "A" Divd.	2-16
Ohio Public Service	Directors	2-17
Southern Dairies	Directors	2-17
Atl. Refining	Directors	2-20
Gotham Silk Hosiery	Directors	2-20
Celotex	Pfd. & Com. Divds.	2-21
Chesapeake & Ohio	Com. Divd.	2-21
Continental Baking	Annual	2-21
Howe Sound	Directors	2-21
Laclede Gas	Annual	2-21
New Eng. Tel. & Tel.	Annual & Div.	2-21
N. Y., Lack. & Western	Annual	2-21
Standard Oil (Neb.)	Directors	2-21
Texas Co.	Directors	2-21
Universal Leaf Tob.	Directors	2-21
Wilson & Co.	Annual	2-21
Wrigley (Wm.), Jr.	Annual	2-21
Air Reduction	Directors	2-23
Amer. Safety Razor	Dividend	2-23
Baldwin Locomotive	Directors	2-23
Cuyamel Fruit	Directors	2-23
Kansas City Southern	Directors	2-23
Mid-Continent Petroleum	Directors	2-23
Standard Plate Glass	Pr. Pfd. Divd.	2-23
Underwood-Elliott-Fisher	Annual	2-23
U. S. Hoffman Mach.	Directors	2-23
U. S. Industrial Alcohol	Directors	2-23
Wabash	Directors	2-23
Wilson & Co.	Directors	2-23
Curtis Publishing	Directors	2-24

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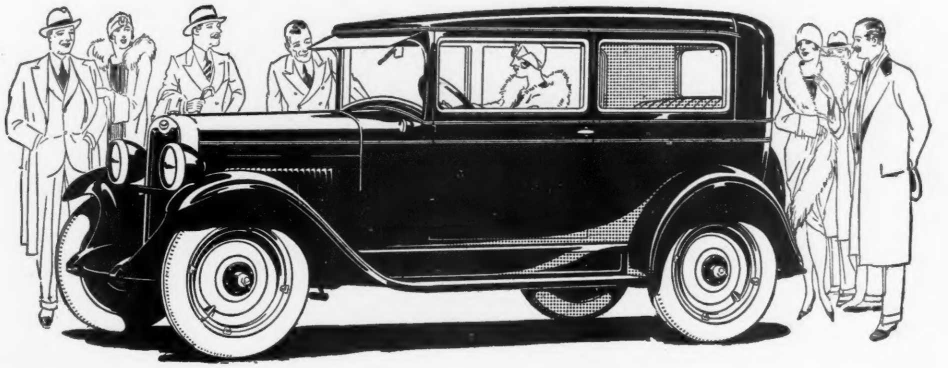

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The Touring *or* Roadster	$495
The Coupe	$595
The 4-Door Sedan	$675
The Sport Cabriolet	$665
The Imperial Landau	$715
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Light Delivery (*Chassis Only*)	$375

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